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The Role of Infrastructure in the Formation of an Indian Ocean Regional Identity

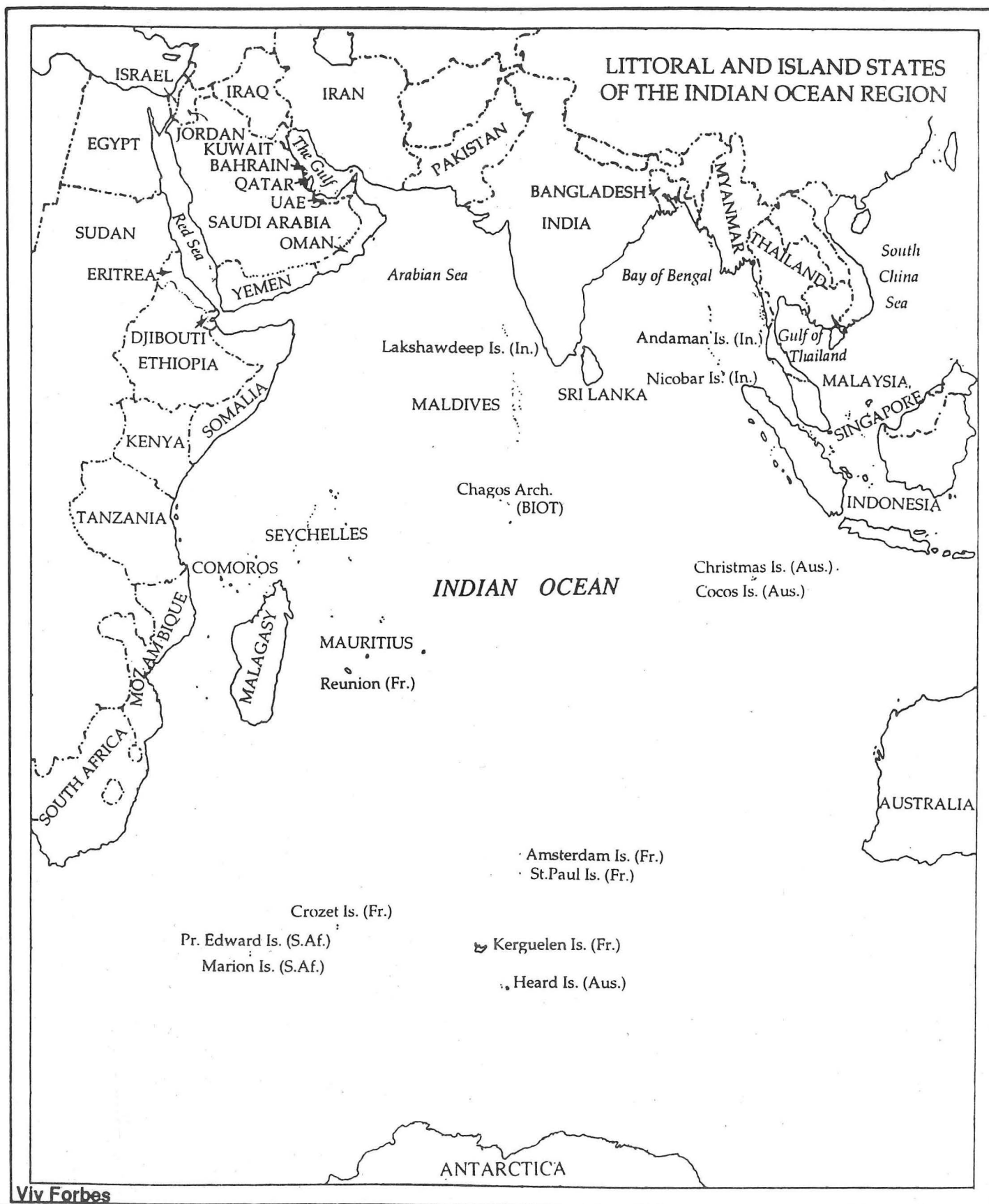
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M.Phil in International Relations 1995/6

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Preface

I hereby declare that, excluding those areas indicated to the contrary, the following thesis is entirely the work of Stuart Hassall Meyer written during the 1996 M.Phil in International Relations course.

A handwritten signature in dark ink, appearing to read 'Stuart H. Meyer', with a stylized, cursive script.

Stuart H. Meyer

29/8/96

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INTRODUCTION

The orientation of Indian Ocean economies established during colonisation has remained largely unchanged. This orientation has promoted regional conflict, undermined development and stifled the formation of an Indian Ocean identity. The remedy for the insecurities of the region lie in increased economic interaction at a regional level developing a joint identity through regionally co-ordinated infrastructure development. Through regional infrastructural interdependence an identity can be developed upon which the Indian Ocean region can build the institutions to cope with its internal and external security threats.

Each of the sub-regions of the Indian Ocean produces a limited range of internationally tradable products. These basic commodities are sold to extra-regional consumers who determine demand and price. Similarly the nations of the Indian Ocean are captive markets for the industrial products of the richer nations from whom they also import capital. The limited flexibility imposed by such market dependency in both exports and imports ensures that most nations in the Indian Ocean maintain negative balances of trade. Sufficient capital to diversify production and markets is never generated locally and the cycle of dependence persists. Under these conditions regional identity has become splintered into a mass of extra-regional bilateral identities while the promise of intra-regional trade is ignored.

Historically the winds and currents of the Indian Ocean determined the migration of Malaysians to Madagascar, Arab settlement of east Africa and south east Asia and early Christian and Jewish settlement of the Malabar coast and Arabian sea.

The trading and slaving fleets of India, China and the Gulf established commercial relations between Africa, the Middle East, south Asia and the Far East hundreds of years before the Portuguese rounded the Cape. The Dutch settlement at the Cape established a regular link between the Cape and the Spice Islands which brought the Indian Ocean into the European imperial and commercial orbit.

During the colonial period the Indian Ocean came to provide regular communication between the Atlantic and the Pacific and after the opening of the Suez Canal, the Mediterranean as well. The gateways to the Indian Ocean grew in importance: in the west via the Cape of Good Hope, in the north-west through the Suez Canal, the Red Sea and the Bab-el-Mandeb Strait, in the east through the Malacca Strait and further south east via the Indonesian islands and past Australia to the north and south (Braun 1983). The twentieth century has seen the Persian Gulf become the most strategically and commercially important waterway in the world. Today, the bulk of the world's energy and mineral reserves are found in this region while the majority of its industrial products pass at some stage in their manufacture across its waters. More recent attention focused on the strategic and commercial importance of Antarctica and the Southern Ocean only serves to underscore the centrality of the Indian Ocean to the modern international system.

Despite this earlier identity the persistence of a dependent colonial orientation has resulted in the failure to develop a regionally oriented infrastructure. In turn opportunities for developing a wider range of products designed for less sophisticated regional markets have been limited.

Yet in some areas of the Indian Ocean the traditional patterns of dependency are being reversed and an Indian Ocean identity is emerging. Countries like Australia, India and South Africa while locked into the basic-commodity-producing-technology-importing cycle have managed to develop the fleets and infrastructure which give them some control over their international trade. Following South Africa's re-admittance to legitimate international trade the significance of the Indian Ocean as a market has grown along with its trade in the region. In addition Asian-inspired export-led economic reform in Australia has compelled Australian businesses, many of them uncompetitive in Asia, to consider the potential of the emerging commercial system to their west. As Japanese industry has become more technologically sophisticated Japanese capital targeted the nations of south east Asia encouraging them to assume production niches vacated by Japan. Initially the nations of ASEAN accumulated capital, developed their own fleets and expanded and re-oriented their infrastructure towards the Pacific rim. More recently, facing increasing competition in the Pacific, a scarcity and increased cost in the price of raw materials, and eager to re-invest capital elsewhere ASEAN has begun looking west recognising the market, trade and investment potential of the Indian Ocean region. Furthermore the tentative liberalisation of the Indian economy has seen significant amounts of Indian investment in the region. India's already substantial merchant fleets and ship-building industry is expanding as it re-orientes its infrastructure towards Indian Ocean trade and the servicing of the international fleets which pass through it.

Developments in Australia, ASEAN, India and South Africa show that an Indian Ocean identity will develop where the potential for mutual gain exists. If the full potential of Indian Ocean development through trade is to be achieved in the interests of the nations of the region it is necessary to build upon this emerging identity. Yet governments in most countries except Australia and Mauritius are not yet strongly behind the Indian Ocean regional initiative and public support and financial backing is sorely lacking. States remain wedded to the idea that the economic stabilisation of individual countries must precede economic co-operation in the Indian Ocean (Rao 1996). This thesis argues that the way for the states of the Indian Ocean to become more stable internally is to create the means to develop and expand trade within the region. Regionally co-ordinated efforts to re-orient and develop appropriate regional infrastructures provide a practical foundation for regional co-operation while offering the potential for immediate gains. In this way regional economies will be able to fulfil domestic development imperatives despite, and indeed because of, outward orientation.

A scheme which plans, develops and links regional infrastructure in such a way that countries have almost immediate access to new markets and capital without having to undergo destabilising economic or political reforms will go a long way towards creating a common identity in the Indian Ocean. This identity will develop the economic conditions to address the sources of insecurity within each state. As internal insecurity decreases states will feel secure enough to introduce reform at home, surrender more control to regional bodies and eventually create a regional management and development system that will enable the Indian Ocean to compete equitably in world trade.

CHAPTER ONE

Regionalism: Contemporary thought and the Indian Ocean

The dominant model for regional integration is the European Union (EU). The EU has created a free trade area among its member countries in which goods and financial markets are, or will be, completely open. Brussels is building a network of supranational institutions to tie the economies and foreign policies of member countries together in a federal Europe (Fischer 1993). This complex system of mutually negotiated arrangements grew out of a set of limited agreements co-ordinating the steel and coal sectors of the original European member states. The European experience illustrates that integration is best started small, with a single agreement and project which, in time, may develop into greater things.

While traditional integration theory refers to first world models like the EU there are few industries that the Indian Ocean region has in common and unlike Europe no potential steel and coal agreement on which regional co-operation could be built. The problem facing the Indian Ocean region is how to construct a regional arrangement under conditions traditionally considered unsuited for economic integration. A union among underdeveloped countries is unlikely to improve the use of resources and raise real income as the volume of intra-regional trade accounts for only a small proportion of total foreign trade ¹. Due to this foreign trade dependence economic co-ordination within the Indian

¹ African countries only conduct 5% of their foreign trade with other African countries while Gulf countries raise on average 90% of their revenue through the international sale of energy. Similarly India's general foreign trade substantially outweighs its trade with south Asia while in the eastern Indian

Ocean would more likely introduce a distortion of price relations between the union and other countries. Furthermore there will be little chance of eliminating any distortion through the traditional remedy of tariffs as under conditions of external trade dependence tariffs are almost impossible to enforce (Page 1994).

For many of the countries in the Indian Ocean the road, rail and port facilities left by their imperial masters are their most significant assets and offer the greatest scope for development and regional co-ordination. Through the expansion and linking of these infrastructures, revenues from a diversified and expanded regional trade network will increase. This will allow a further expansion of regional infrastructural links accessing the markets that will justify the development of independent national fleets and mark the end of trade dependence.

The foreign trade bias of regional infrastructure means that transport systems in the region are integral in linking the Indian Ocean littoral to the world system. While this orientation of Indian Ocean infrastructures has perpetuated dependence, it offers in many cases the only opportunity for increased intra-regional and international trade. These inherited infrastructural systems are the one asset on which international finance can be raised. Once finance is raised regional infrastructural networks require only limited expansion and linking with neighbouring countries to form comprehensive inter-continental transport systems within and between southern and east Africa, the Gulf region, south Asia and on through Myanmar to south east Asia. New regionally integrated

Ocean ASEAN countries continue to trade more with east Asia, the US and Europe than with each other.

systems linked to expanded and upgraded port facilities will ensure that the amount of regional goods reaching regional markets increases exponentially. In recent years, following significant liberalisation in the Indian economy, increased trade between south east Asia and the Indian Ocean and the re-emergence of South Africa as a trading nation the percentage of intra-regional trade verses purely foreign trade in the Indian Ocean has increased dramatically. Nations in the region have begun recognising the importance of the Indian Ocean as an emerging trading area and have been attempting to establish regional institutions.

According to the general writing on regionalism, regional trading links develop for a variety of reasons such as low transport costs, resource complementarities, complementarities in production arising from specialisations through economies of scale, institutional and cultural affinity, foreign investment links, and in order to reduce non-tariff barriers. The first six reasons can be described as leading to 'natural' or non-negotiated 'old fashioned' regionalism. The seventh, however, underlies the 'new' regionalism observed in developments such as the European Single Market or the North American Free Trade Agreement (NAFTA). Here regionalism has become the solution to the bargaining problems which have arisen as international trade negotiations widened into a multiplicity of products and negotiating parties in which successes over tariffs were offset by the spread of non-tariff barriers (Kuczynski 1996). As these developments threatened the collapse of the Uruguay Round, regionalism was proposed as the solution to the multilateral impasse². One of the key features of this new regionalism has been the

² Once it became clear that the emerging regions in the international system were intent on maintaining some protections they were exempted from MFN in the belief that regionalism at least ensured that the multilateral process was extended amongst groups of nations. In this way the principle of

integration of countries with very different income levels, motivated in some cases by fears of migratory pressures. Thus while trade creation and diversion were central to integration in the 1960's, new regionalism emphasises the creation of institutions and their impact upon member countries' policies ³.

In the Indian Ocean discussion of the formation of a regional organisation must address aspects of both 'old' and 'new' regionalism. The present series of Indian Ocean meetings appear primarily concerned with the creation of institutional frameworks within the Indian Ocean indicating a pre-occupation with new regionalism. Institutional structures will, however, not survive unless they actively contribute to the development and stability of the individual nations by expanding trade. Hence while the trend in wealthier countries is towards the institutional concerns of 'new' regionalism the basic structural dissimilarities that preoccupied 'old' regionalism remain significant in the Indian Ocean. Before the Indian Ocean embarks upon another attempt to create all-embracing regional institutions it should look to those material conditions within the region most likely to sustain regional organisation. Hence old style regionalism concerned with creating the physical means upon which institutions can be built should remain the primary concern of the present regional initiative in the Indian Ocean. The physical assets common to the whole region its roads, railways and ports.

The GATT has been neither coherent nor consistent in its policies on

multilateralism was maintained and extended regionally if not quite universally.

³ The theory of regionalism distinguishes between regional arrangements which create trade which would not otherwise have occurred, and hence promote trade in the interests of all (trade creation), and arrangements which displace trade which would otherwise have continued to occur (trade diversion).

regionalism⁴. Not only did the GATT fail to enforce or regulate regional agreements but actively contributed to the discrediting of Article XXIV by developing conflicting policies such as special and differential treatment and the enabling clauses that allowed developing countries to discriminate in favour of one another. Thus if the GATT was even consulted regarding the formation of regional bodies it was generally forced to concede to the ever-widening interpretation of limits allowed by Article XXIV. GATT argued that these exceptions were justified in order to expand the multilateral process. Yet once member countries finalised such agreements GATT was not in a position to halt the political momentum (de Melo *et al.* 1992).

Despite the anti-multilateral potential of aspects of regionalism the WTO, as successor to the GATT, remains in favour of regional arrangements as a method of expanding free trade, even if for the time being this is limited to specific regions and involves non-tariff protectionism. As regional arrangements are allowed certain 'exceptions' from MFN while still receiving WTO approval, economically motivated regional associations are able to maintain a significantly high level of protection while maintaining WTO membership and MFN access to international trade. The implications of this for those countries which are not within some sort of regional arrangement is clear. Individual countries applying trade barriers will be in violation of WTO rules whereas countries in a regional arrangements acceptable to the WTO will be afforded some leeway regarding protection.

⁴ Article XXIV of GATT ensured that regional agreements should include provisions guaranteeing openness to entry, have liberal rules of origin, limit trade remedies and have 'few' exceptions. Restrictions had to be lifted on 'substantially all' trade (de Melo *et al.* 1992).

For poor countries a regional framework affords the opportunity of at least gradually phased out protections rather than over-night liberalisation. In this way regionalism can have an immense appeal to poor countries and become an effective tool in promoting the WTO's agenda amongst countries that by themselves would never feel secure enough to embark upon liberalisation. Furthermore the integration of poor and wealthy or rapidly developing countries, already members of the WTO, will not only encourage liberalisation in the poorer countries but is also likely to ensure that liberalisations adopted are in line with WTO prescriptions (de Melo 1993).

The salience of this for the Indian Ocean is that WTO approval of any proposed Indian Ocean co-operation arrangement is probably the only way to legally prolong the industrial and market protections so necessary for the development of poor countries while gaining WTO approval and hence MFN access to international trade. The WTO is prepared to permit some of the protections advanced by 'old' regionalism to poorer regions in the hope that they will form regional institutions in line with WTO norms. In the long run this will contribute to the reduction of international trade barriers.

Countries which are not members of emerging trade blocs have suffered the loss of access to markets and increasing marginalisation (de Melo *et al.* 1992) ⁵. These marginalised countries have begun considering regional arrangements of their own. Examples include the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM), the Andean Common Market (ACM), the

⁵ The agricultural and other import restrictions imposed by NAFTA and the European Common Agricultural Policy are two of the more striking causes of poor country marginalisation resulting from economic integration.

Caribbean Community (CARICOM), and the East African Community (EAC). These attempts have generally been plagued by problems of determining the scope for profitable specialisation, the creation or strengthening of appropriate production structures, and the equitable distribution of the benefits of integration among members (Meier 1995). In considering the appropriateness of a regional organisation for the Indian Ocean the circumstances under which integration will be more likely to work amongst poorer countries should be considered.

Discussion of regional arrangements in the Indian Ocean will have to depart from contemporary prescriptions on integration which advocate the sort of market co-ordination and institutional structures evident in first world models of integration. Instead an approach involving limited sectors more appropriate to development in poorer countries should be considered. In the past each country in the Indian Ocean has restricted its imports and attempted to substitute home production causing the wasteful multiplication of import-competing industries. The result is that countries produce similar products at markedly different prices making any external tariff for the region prohibitively high. The traditional solution is to encourage manufacturing within an economic association which offers a larger market and ensures higher levels of productivity than could be achieved through industrial protection in each country (Meier 1995). Since the region contains both highly competitive and extremely uncompetitive economies, the establishment of a common external tariff reflecting the competitive capacity of each economy would be impossible. The more competitive Indian Ocean economies are already able to produce products cheaper than those imported from without the region. Instead it will be necessary to implement regional integration in the

Indian Ocean in such a way that the various regional capacities can be maximised and balanced with sectors, industries and products being allocated according to need, capacity and competitiveness⁶.

If properly structured differential tariff rates would be beneficial in encouraging competition among the member countries of an Indian Ocean community. Technical efficiency in existing industries might be improved as marginal firms are forced to reduce their costs, resources are reallocated from less efficient to more efficient firms, and monopolies that had been established behind tariff walls are no longer protected. In this way multilateralism will be encouraged within the region while less competitive economies are afforded some protection. The resulting stimulation of competition within each country would yield a better utilisation of given resources as well as increase production through stronger incentives to adopt new methods, replace obsolete equipment more rapidly, and increase the pace of innovation through investment while still protecting less competitive economies⁷.

In addition some form of economic harmonisation in the Indian Ocean will encourage secondary industry to become more efficient as specialisation occurs in the member countries which acquire a comparative advantage. The remaining countries could then replace their imported manufactures with cheaper products produced in the region

⁶ For example Australia, New Zealand, Singapore, Malaysia, Thailand and Mauritius would have a different tariff from the east African and other Indian Ocean islands.

⁷ An Indian Ocean free-trade union might also improve the region's commodity terms of trade if there is a reduction in the supply of exports from the union, or the demand by members of the union is reduced for imports from outside, or the bargaining power of the members in trade negotiations is strengthened. This is only likely to be the case in areas where the Indian Ocean region is the chief supplier on the world market or constitutes a large part of the world market for certain imports.

and spend more of their foreign exchange on imports not produced in the union. It is also argued that as similar levels of consumption exist amongst poorer countries there should be greater scope for the development of trade than for trade with wealthier countries (Stewart 1976). Furthermore the inducement to get behind the tariff wall will encourage direct private foreign investment in manufacturing. This though depends on establishing a sufficiently wide market within the union to allow operation of a manufacturing industry on a large enough scale to attract foreign investment. Once market share is established initially protected industries can become more competitive on world markets.

While this is all well and good in theory the Indian Ocean faces the problem of co-ordinating a large area including many different levels of development. The question which emerges is how to get from a condition of little or no regional integration to the level where individual governments will have the confidence in a regional organisation to adopt reforms according to regional rather than national priorities. While it can be argued that various degrees of integration are possible amongst poor countries, integration applied uniformly to countries at different levels of development is disadvantageous to the poorer countries. In addition administration of regional integration is too complex for poor countries struggling to meet the challenges of domestic administration and internal development. For regional remedies to succeed amongst poor countries they would have to take place within the context of a regional organisation which had the full confidence and support of the member states. Before this can happen there has to be a 'first-step' establishing the mechanisms and culture of integration as well as prove its benefit before more complex features can be attempted. Amongst poorer countries regional integration has proved more effective where it concentrates simply on 'sectoral integration' involving

the removal of trade restrictions on a limited list of commodities, or the treatment of one industry on a regional basis.

While oil from the Persian Gulf suggests itself as the most likely commodity or industry on which to base co-ordination in the Indian Ocean. However, previous attempts at co-ordination by producers even within the relatively limited Gulf sub-region have not been successful. Port, rail and road infrastructure and the associated shipping services sector, however, is more broadly applicable to the region, less threatening to international energy security and unlikely to alienate the international community. The only way to marry the needs of the bigger players in the region for more liberalisation and market access with the structural and developmental weaknesses of the less competitive players will be by initiating regional co-ordination within a limited sector.

Co-ordination of shipping, port and associated rail, road and other communications services could provide the legal and financial framework which the more competitive players are eager to establish in the region as well as supply the development kick-back so needed by the poorer economies. Infrastructural co-ordination could establish a system where poorer economies allow the more developed economies access to their service sectors in exchange for investment in infrastructural development. In turn poorer countries could be offered guaranteed access to the markets of the more developed members while the wealthier countries stand to reap the construction contract and other supply spin-offs of their initial infrastructural investment in the poorer countries.

By the sectorally based trade-off proposed, the immediate gains of integration which would normally be small for the poorer economies could be improved. Such an approach is more likely to induce the less competitive economies of the Indian Ocean into a regional arrangement by offering the prospect of immediate capital flows and short term profit while reducing the threat to national security posed by rapid liberalisation. Over time more sectors could be added and as comparative costs and trade patterns changed, economies of scale could be developed giving rise to competitive advantages. Increased trade would promote development assisting presently uncompetitive economies to compete internationally.

In addition to the poorer countries in the region Australia, Malaysia, Mauritius, New Zealand, Singapore and Thailand display a great potential for integration highlighting the diversity within the Indian Ocean economy. Many domestic industries within the Indian Ocean require wider markets than national economies can provide making sectoral integration increasingly attractive. In the absence of integration Indian Ocean economies have been protecting the same kinds of industries retarding specialisation, expansion and labour division. According to received wisdom the case for economic regionalism is weak when the member countries have not established many industries. Similarly limitations on the supply side may be more of a deterrent to the creation of an industry than narrow demand. Furthermore unless production conditions improve, the extension of the consumer market alone will not be sufficient to create industries. In addition if manufacturing is at a rudimentary stage within a union there is not much scope for eliminating high-cost manufactures within the region. Finally there will not be much hope of realising the benefits of increased competition if there are not yet similar ranges of rival

products, produced under different cost conditions, in the various member nations. Yet between Australia, Egypt, India, Indonesia, Iran, Malaysia, Mauritius, New Zealand, Singapore, South Africa and Thailand alone there are enough suitably sophisticated and competing industries operating on secure chains of supply and selling to well sized and expanding markets.

Despite the differences in the relative readiness of the various economies of the region for integration and the different levels at which integration would have to take place development and co-ordination of the trade-related infrastructural sector can be made attractive to the more developed economies as well ⁸. The regionally managed construction and upgrading of ports, road and rail networks will provide the projects and networks through which the services and technology of the regions' more advanced economies will find roles and markets in the region.

Looking to the future, if the poorer countries of the Indian Ocean are to be induced to join any proposed Indian Ocean regional economic arrangement beyond infrastructural co-ordination a system will have to be developed that combines protection and guaranteed access to markets with liberalisation and development. Poorer countries will only be encouraged to liberalise if guaranteed protection from the short term social and political consequences of integration and inevitable liberalisation. Similarly the more competitive economies would require access to new markets and favourable investment opportunities. Even a managed customs union limited to creating a larger market and shifting production

⁸ Chapter Four deals with potential solutions to the problem of development diversity within the Indian Ocean and suggests formulas and structures to co-ordinate integration within a multi-tiered system.

to optimum localities will effect some sectors adversely. In this event various preferential measures can be provided to keep disadvantaged members in the union ⁹. An Indian Ocean association would have to offer these inducements if it were to advance to anything more complex than infrastructural co-ordination in the future.

While a regional transport co-operation and development framework is a long way from regional reciprocal trade barrier reduction it nonetheless represents a first step. In the medium term anything beyond this such as the free movement of factors of production, a common monetary system, and the co-ordination of economic policies among the member countries would be unrealistic to expect amongst largely poor countries. However, the administrative network and the culture of co-operation established through regional transport management and development could provide the organisational structure and confidence in regional management necessary to evolve more complex policy co-ordination in the future. An approach phasing in differential liberalisation in the transport infrastructure sector, introducing protections and providing social sweeteners to adversely effected economies, would garner more support than the 'austerity measures' and 'shock treatments' applied to date (Lloyd 1992).

⁹ Preferential measures that could be provided to disadvantaged members of the union include:

- a) Balance-of-payments support through financial institutions of the union or external institutions (e.g., the IMF), or a credit system organised by a Regional Payments Union (perhaps initially funded externally) might be one way in which countries could be assisted if intra-union trade were to lead to balance-of-payments problems.
- b) Fiscal policy support measures. Import duties, particularly for small countries, often form a large part of total government revenue. These will disappear with the union so alternative fiscal means must be developed to replace lost receipts. Fiscal policy may also have to be used to encourage new industry to locate in the disadvantaged members but, of course, if this means permanent subsidy, the advantage of the customs union is lost.
- c) Commercial policy might be especially geared to the needs of the least developed of the group. For example, a longer transition period to the zero tariff situation might be provided for.
- d) Credits for new investment.

(Healey 1977)

Such an arrangement would have to be acceptable to the entire region and worked out jointly. The potential in a co-ordinated transport and related services agreement to galvanise the Indian Ocean around a vital and already highly integrated sector is vast. Without initially having to negotiate trade barriers or market access, a poor fragmented region like the Indian Ocean can evolve the type of regional integration only considered possible amongst developed economies.

CHAPTER TWO

Insecurity and Infrastructure

Food, money and access to trade are the elements upon which national security is built (Mische 1992). In fragile states the boundary between the external and the internal disappears making conventional paradigms of interstate relations irrelevant. In the Indian Ocean region the widespread internal disorder that spills across national boundaries indicates the extent to which states have not met the needs of their populations. This internal instability is the origin of the inter-state instability characterising the region. In a world of diminishing resources new constitutive orders are required to meet the needs of fragmented and underdeveloped societies (Rupasinghe 1992). While regional infrastructural co-ordination within the Indian Ocean is a long way from international security management, this thesis argues that it is the most logical foundation upon which security co-operation in the Indian Ocean could be initiated. Though this thesis concentrates on the development of an Indian Ocean regional identity through infrastructural co-operation this is not an end in itself. The creation of this identity is necessary to provide the conditions for co-operation under which states can be stabilised and regional security established. A network functioning on mutual dependence should be established to ensure that when the stresses of security management arise, the proposed Indian Ocean regional organisation will have the institutional rigour to maintain cohesion.

Infrastructure can play a role in promoting security in the Indian Ocean region.

The creation of materially secure states endowed with the political confidence to develop representative political systems should be the primary goal of security. By providing civil society with access to international trade, governments can equip their people with the problem solving and conflict resolution skills that will release them from their dependence on violence. This non-militaristic and initially non-political approach can be used to circumvent intractable conflicts and rivalries within the Indian Ocean in such a way that weak states are strengthened while divisive sub-regional forces such as Islam and ethnicity contribute to unity and peace building.

Regional Insecurity in the Indian Ocean

The Indian Ocean region is notable in that it combines a range of potentially explosive circumstances ¹.. Traditionally, instability in the Indian Ocean region has been ignored by the major powers. Apart from the potential nuclear conflict between India and Pakistan threatening nuclear proliferation close to the centre of the Eurasian land mass and the Iraqi invasion of Kuwait jeopardising OECD energy supplies, conflicts in the Indian Ocean region have been easily ignored as they threaten few strategic areas or vital resources.

¹ These circumstances include: newly or recently independent states; states with authoritarian regimes; states geographically contiguous to and more powerful than their adversaries; and states experiencing domestic conflicts. Similarly vulnerability to military-security crises is high in the Indian Ocean as states are not a members of the dominant system; are generally governed by authoritarian regimes; and suffer from domestic instability. In addition states in the Indian Ocean are particularly vulnerable to crisis as many are involved in protracted conflicts or disputes under conditions in which militarily disparity between neighbours is endemic (Brecher 1994).

The Indian Ocean region is, however, inhabited by a fifth of the world's population most of whom live under the threat of poverty, disease, violence or famine. Despite previous attempts no major international initiative has been successful in addressing the security deficit in the region. Security can only be brought to the Indian Ocean by the nations of the region. Until the nations of the region enhance the international economic and strategic value of the Indian Ocean little assistance can be expected from the traditional sources of international security or the centres of international financial power. Security can only be achieved by enhancing the importance of the region to the international system. Regional transport infrastructure co-ordination offers the means through which the region can boost international commercial participation and enhance its relevance to the global system. This will place the region on the international security agenda as well provide the means with which Indian Ocean states can begin addressing the causes of their instability.

Regional Insecurity in Africa

The primary cause of insecurity in the African sub-region of the Indian Ocean littoral is that few states enjoy domestic legitimacy. The elites which govern them have failed to deliver the social, economic and political transformations their populations expected from independence with the result that societies have remained weak and fragmented and incapable of acting cohesively to effect social or political change. The lack of strong states within Africa means that domestic conflicts cannot be contained within borders.

Threats to national and regional security occurring within the African sub-region of the Indian Ocean include: Islamic fundamentalism in Egypt and Northern Sudan bred by poor economic performance and unsustainable population growth; tensions between Eritrea and Saudi Arabia over islands in the Red Sea; Ethiopia and Somalia's conflict over the Ogaden desert; the Somali civil war; the Christian-Muslim conflict in Sudan; the threat of ethnic conflict in Burundi and Rwanda overflowing into Tanzania and Kenya; and the growing autocracy of the Kenyan state. In southern Africa the fragility of Mozambique's reconstruction; refugees; migration; small arms proliferation; and the ongoing Zulu-ANC conflict in South Africa promote insecurity. In addition brain drain, migrant labour, water supply and drought relief, environmental degradation and AIDS all demand a co-ordinated response. If not handled with skill these regional problems combined with existing disputes could lead to severe conflicts between the nations of eastern and southern Africa (Ohlson and Stedman 1993).

Even if the present conflicts in Angola, Mozambique, South Africa and Ethiopia are resolved, the region will not enter a period of peace since most of the governments of the region face intense domestic conflicts over territory, participation, distribution and identity. Under conditions of permanent insecurity and limited resources those who control distribution also monopolise power. Governing elites in Africa associating underdevelopment with their own political dominance have resisted economic reforms as these promise to herald the social and political transformations that will end their monopoly on power.

However, multi-party democracy is hardly a panacea and has itself generated insecurity in Africa. These include the tensions and upheavals in Zambia in the early nineties, the violence in Kenya and the continuing slaughter in South Africa. Multi-party democracy unleashes competitive forces which requires the management of institutionally strong states confident of their material and political underpinnings. This insecurity results from material deprivation bred of economic failure. No state in Africa is in a position to claim such institutional and management security.

If development is to occur within the African Indian Ocean littoral, autonomous civil societies and strong responsive states need to be created. Since private investment largely ignores Africa its economies are left clutching at foreign aid and conditional loans. Aid, however, relies too exclusively on the state and ignores civil society. The other attempted solution, easy loans, also limited exclusively to the state, has resulted in debt; itself a major source of insecurity². Solutions attempted to date do not provide the means to ensure discipline with development and hence promote resistance and unrest. Ironically as the stresses of debt repayment impact upon African societies the lending institutions want to see accountability, adoption of market economies, and democratisation before they will consider debt concessions.

The African debt crisis is both a financial and a management problem (Obasanjo 1993). Most African countries spend more on defence than they receive in development aid with arms consuming larger proportions of budgets than education, health, or

² Africa's debt has been multiplying at an average annual rate of 10%. Estimated at US\$ 230 billion in 1989, up from US\$ 48.3 billion in 1979. Interest repayments now consume significant proportions of national budgets.

agriculture. This high security bill is a result of the insecurity of artificially created agglomerations of ethnicities constantly under threat of internal strife exacerbated by crippling debt repayments and economic austerity. The only way to reverse this cycle is to break out of the artificial and restrictive border and trading patterns enforced by the colonial map. Rapid physical and economic integration of the continent is vital if Africa is to transform socio-economically (Obasanjo 1993). By creating regional interdependence, defence spending would decrease and resources could be re-channelled. This would provide the material stability upon which civil societies could develop free markets and manage representative political systems. It is necessary to create strong commercial interests including private and government participation in the construction of the infrastructure to support sustainable growth through trade. This offers the most viable first step towards creating civil societies capable of managing democracy without fragmenting into a host of competing interests. Only through increasing commerce with the rest of the world can Africa hope to put an end to internecine conflict and achieve the development that inspired the independence struggle.

This will not be possible unless the mainly agricultural products of southern and east Africa can find new and permanent international markets. Such markets exist in the Gulf and the Middle East. The infrastructural linking of southern and east Africa to the Gulf itself facing internal crises and increasing food imports will provide a market for African agricultural products at cheaper prices and faster delivery times. The port and shipping linkages between the Gulf and east and southern Africa and the rail and road networks connecting these ports to their continental hinterlands will link the two sub-

regions in a relationship of mutual dependence offering food security to the Gulf and guaranteed markets to African producers.

South Africa's role in this process will be crucial. Since South Africa's re-establishment of normal commercial and diplomatic relations with Africa, a new set of tensions concerning the asymmetry of economic power in the region has developed. While the South African government wishes, out of strategic imperatives, to adopt policies to develop the region, its privately owned and managed economy has extra-regional priorities. Thus despite an 'Africa first' rhetoric and the appointment of a pro-African foreign minister the dominant approach in South Africa has been for a quantitative expansion into the region rather than qualitative transformation. This approach dismisses concerns about imbalances in existing relations assuming that any kind of indiscriminate expansion in trade between South Africa and the region will be mutually beneficial. This view argues for trade liberalisation and the removal of barriers to capital flows as the main pillars on which to build regional co-operation (du Pisani 1996).

While such an approach may yield short-term benefits it will hinder the long term interests of both South Africa and the rest of the region. A more balanced pattern of economic growth is necessary as without growth among South Africa's neighbours the potential of the region as a market will remain limited. Infrastructural development is the most likely vehicle to achieve equality and interdependence while addressing the problems created by existing relations of hegemony and dependence. The way ahead is to link the road and rail infrastructure which already exists in the region to regional ports. A growth in the market share of non-South African ports linked to an expanded and integrated rail

and road network in east and southern Africa will generate trade and bring about a qualitative transformation of existing economic patterns. In this way infrastructure can become the key to national prosperity and stability as well as provide the basis upon which regional stability can be built.

The present Southern African Development Community dialogue over a regional security framework along the lines of the Conference for Security and Co-operation in Europe is unlikely to succeed unless based upon material incentives for co-operation. Infrastructure and its co-ordination could become the strategic resource common to the whole region upon which a security management structure could be constructed. With this institutional base it is more likely that a security system based on common regional norms regarding transparency of military establishments and force levels, exchange of information, confidence building and mutual trust can be developed within and between southern and eastern Africa (Ohlson and Steadman 1993).

The Persian Gulf

The biggest threat to security in the Gulf is the decay of the Gulf Co-operation Council's (GCC) economic and political systems. Washington's historic concentration on external threats to GCC governments has blinded it to the structural crises facing its allies prolonging and exacerbating insecurity.

The wealth enjoyed by the Gulf states in the post World War Two period allowed regional governments to consolidate power without addressing credibility or legitimacy. Through an almost exclusive dependence on the profits of energy exports populations were bribed into compliance. As long as money greased the wheels the system worked smoothly and the US was naturally attracted to what it recognised as rich, stable and conservative states, natural allies in a region dominated by social unrest and religious and ideological extremism. As revenues decreased throughout the eighties Gulf governments prolonged their populations acquiescence by deficit spending while attempting cost cuts. Without the constant flow of funds through the intricate patronage system the *status quo* became unsustainable. No longer able to disguise structural weaknesses major interest groups came under pressure. This process, reinforced by rapid population growth and urbanisation and coupled with an increased security bill, has seen states lose their ability to buy their citizens off with welfare. In addition the rapid population growth combined with traditionally high spending on education has resulted in an expanding well educated work force with high expectations but few opportunities.

These stresses have seen demands increase for transparency in domestic economic and political affairs and limited the freedom of governments to hide the costs of inconsistencies from increasingly dissatisfied populations (Zanoyan 1995). Decisive leadership and intervention is required from the US. In attempting to avoid strain between Washington and its GCC allies the US has failed to encourage regional governments to reform, choosing instead to prop up dysfunctional and unpopular regimes in the interests of uninterrupted energy supplies.

The unstable nature of the Gulf's domestic regimes remains the real cause of instability in this region of the Indian Ocean. An array of movements have sprung up in different countries in the Middle east fuelled by popular disenchantment with governments whose policies have failed to satisfy the demands of rapidly growing populations for economic security, freedom of expression, and accountable government (RUSI 1995). The Gulf War and subsequent military build ups have led most of the nations of the Gulf into debt while populations grow, food imports increase and employment becomes scarcer. Even key states like Saudi Arabia are having to contend with economic, political and succession crisis challenging their authoritarian elites (Viorst 1996). The decline in the price of oil has put most Gulf states in the difficult position of having to reduce subsidies, impose taxes, and reduce the bureaucracies which act as employer of first and last resort. These reforms bear social and political costs. As dissatisfaction grows authoritarian, usually monarchical, social and political systems lacking the institutions or traditions to control reform or accommodate participation and expression are threatened with collapse (Zanoyan 1995). To date most states have refused to implement reforms preferring to pursue petty regional rivalries and ambitions as a smoke screen for internal crises ³.

Despite the obvious need for reform in the Gulf, the US in an attempt to create a pro-western alliance, has chosen to support these failing regimes. In this way Washington hopes to purchase Gulf co-operation in the fight against Iran, Iraq and Islamic

³ Iran as the focus of US hostility in the Gulf has an incentive to undermine the efforts of the US and create its own hegemony within the Gulf. Iran's occupation of the Gulf islands, its conflict with Iraq over the Shatt-al-Arab river, its quest for nuclear weapons and intensive training of the Iranian armed forces backed by a strong Islamic and revolutionary ideology act to undermine the regimes of its neighbours. Iran's religious and political ideologies find support amongst regional populations weary of corrupt US backed governments incapable of reform.

fundamentalism which it sees as the principal threat to the long term security of international energy supplies ⁴. Since the Cold War the US has developed a dual approach to the Gulf. Firstly it has excluded Iran and Iraq from regional groupings while playing them off against each other in the hope that each can be used to contain the other. Secondly to enforce this strategic exclusion of Iran and Iraq the US has been cultivating relations with and between the GCC States. The US hopes to build a united bloc strong enough to oppose the re-entry of Iran and Iraq, contain regional rivalries, and avert social and political stress as GCC states confront the consequences of weak and repressive regimes. Yet as long as the US fails to address the internal crisis facing the states in the region any hope of long-term peace and stability founded on a system of regional co-ordination and balance of alliances will fail.

The GCC represents a very unstable alliance. Inter-state conflict exists between many of the states of the GCC especially Saudi Arabia, the US's principal ally ⁵. The domestic crises which most of the regimes of the Gulf face make policy co-ordination impossible. Instead Governments prefer to embarrass neighbours and rivals in an attempt to discredit their nationalistic credentials and so legitimise their own failures in the eyes of their increasingly disgruntled populations ⁶. Most of the GCC states are competing to develop their national power relative to what they see as potentially threatening military

⁴ For example the US blames the internal disturbances in Bahrain on Iranian interference choosing to ignore all indications that Bahraini authoritarianism is failing to reform an economy in dire need of diversification, private ownership, access to new capital and employment. (RUSI 1996).

⁵ The basing of US forces in Saudi Arabia, considered one of the coups of the Gulf War, has proved a focus for terrorism as Arab national and Islamic groups within the other GCC states accuse Saudi Arabia and other governments of selling out to US imperialism (RUSI 1996).

⁶ For example Yemen, responding to public sentiment across the Gulf and Middle East, did not condemn Iraq's invasion of Kuwait. Returning the favour and securing the approval of regional populations if not governments Saddam Hussein supported the present Yemeni President against his Saudi-backed southern-based rivals (Ovendale 1992).

but also economic rivals in the region ⁷. Yet regional governments appear to have little grasp of economic affairs and bureaucracies are still plagued by inertia and internal divisions. Despite the US attempt to use the GCC as a strong pro-*status quo* alliance the reality is that if it were not for the US the GCC would collapse into a mess of competing rivalries.

The US has an interest in seeing that Gulf states make non-disruptive transitions to more sustainable systems. In addition the US should realise that changes in the Gulf require that Washington broaden its support base reflecting the realities of the whole region. Remaining exclusively sensitive to a small group of countries, or even just Saudi Arabia, on a purely military level will achieve neither long term stability nor co-operation. Washington should initiate contact with political movements in the region even those opposed to the present governments of the GCC states (Zanoyan 1995). Furthermore more direct support of positive if not entirely democratic moves, like Kuwait's establishment of an elected parliament and lifting sanctions on Iran, would go a long way towards effecting the changes without which the existing regional order will never hold.

While such overtures might reduce tensions they will not address underlying insecurities in the Gulf. The best way to address the structural economic weakness at the core of insecurity in this area would be to recognise that Gulf economies are too exclusively dependent on energy export and lack even the most basic level of regional

⁷ Most GCC members fear US-backed Saudi domination so much that Oman has made overtures to Iran, Yemen and even Israel in a bid to balance Saudi power. Similarly Saudi haggling over the location of its borders with Yemen is less about laying claim to vast oil reserves in the area, than depriving Yemen of its modest oil resources so as to prevent it becoming any more powerful in the region (RUSI 1996).

trade or economic integration. To create employment and develop the managerial skills that will stem social discontent, production needs to be diversified, new export markets located, and cheaper food imports sourced. Only through the expansion of production and trade within the region will the populations of the Gulf become prosperous enough to resist the appeal of revolutionary ideologies.

This thesis argues that the most effective first step towards regional reconstruction would be the development of a regionally co-ordinated transport system. The key problem facing the region is the almost complete lack of intra-regional trade. In other words even if there was a regionally connected transportation network what would Gulf states trade. All the countries in the Gulf export energy and import food, machinery and technology from outside the region. Yet as debt and populations grow the food import bill increases and compounds the debt crisis. A regionally co-ordinated infrastructure development programme linking the existing infrastructures of the Gulf to each other and to the broader Middle Eastern and central Asian regions, all net food importers, would put Gulf countries and their strategic ports in a position to manage and profit from the supply of goods to the entire central Asian hinterland. In addition as part of a broader Indian Ocean network in which Gulf ports were linked by regular shipping services to east and southern African ports, themselves connected to expanded hinterland road and rail networks new, closer and cheaper sources of food could find its way via the Gulf to its Middle Eastern and central Asian neighbours.

The countries of the Gulf are unique in their possession of the bulk of the world's energy reserves. Despite debt they remain in an excellent position to raise loans on

international capital markets and develop the infrastructure and industries associated with the proposed Indian Ocean infrastructural co-ordination scheme. Their comparatively easy access to capital would ensure that the development and connection of regional infrastructure happened fairly speedily in addition to which they could afford to develop the food processing plants, oil refineries and ship building industry based on cheap raw materials from Africa.

There is a great potential for increased food production in east and Southern Africa. This has never been developed as markets and profits have always been too small. If, however, the Gulf states began importing food and other raw materials from these less sophisticated economies, Africa would be encouraged to increase production and through their own co-ordination of infrastructure get larger amounts of food and materials to ports. If this were shipped to Gulf states these could develop the food processing and marketing industries enabling them to process and re-sell this food to the rest of the Middle Eastern and central Asian regions. In addition north Africa and south east Asia, both ideally placed to be serviced by Gulf fleets or continental rail and road linkages, are predicted to become major food importers in the next century.

While the political challenges facing the Gulf are immense and cannot be overemphasised, regional infrastructural co-ordination within the context of a broader Indian Ocean system offers a solution. What is particularly attractive about this solution is that it provides a route to social and economic transformation and stability that doesn't necessarily require political change. Instead the beleaguered governments of the Gulf are offered the chance to transform the social and economic conditions of their societies

without sacrificing political control. It is up to the leaders of the Gulf and their US sponsor to realise that continuing to ignore the real causes of insecurity in the region is no solution. In addition, the members of the GCC should weigh the value of their relationship with the US against the potential of a united and integrated region. The US is not likely to leave the Gulf. Regional governments can, nonetheless, initiate the co-ordination through transport which will begin creating the conditions for regional renewal, rendering regional rivalries meaningless and the US's presence obsolete.

Regional transport co-ordination linked to a broader Indian Ocean trading system provides an opportunity to re-build Arab civil society which apart from its contemporary weaknesses has many strengths. Even limited co-operation brought about by intra-regionally managed rail and road networks will nurture a new co-operative vision of Arab society within a broader Indian Ocean identity. For the West and the US in particular the difficult lesson of giving up old habits of intervention has to be learned. The US's deliberate isolation and attempted destabilisation of the Gulf's natural centres of power has skewed regional cohesion, crippled the region's engines of economic growth and artificially extended the lives of corrupt, oppressive and inefficient regimes. Instead if the US worked to unify the region along less ideological lines allowing Arab or Islamic forms of government to evolve it could play a crucial role in achieving long term security in the Gulf. Such changes can only be brought about if the region establishes new relations based on mutual co-operation and trust rather than rivalry and competition. Transport co-ordination offers such an alternative.

South Asia

Animosity between the sub-continent's two major protagonists, India and Pakistan, over Kashmir dominates the security debate in south Asia. Since partition in 1947 India and Pakistan have been to war against each other three times, most recently in 1971. At the core of this dispute is the state of Kashmir; the only Muslim province in India and claimed by Pakistan. The Kashmiri people have opted for complete independence from both and begun waging a low intensity war of national liberation supported by Iran and Afghanistan as well as Islamic elements in Pakistan ⁸. The future of Kashmir dominates both the foreign and domestic policies of India and Pakistan.

Anxiety over Kashmir has been accompanied by an increase in tensions surrounding the nuclear issue. Pakistan has linked the question of its nuclear capability to the issue of Kashmir. India argues that it has to maintain a nuclear capability in order to balance the Chinese nuclear programme and so counter China's territorial expansion in Tibet and the Himalayas. In addition India sees the Nuclear Non-Proliferation Treaty (NPT) as discriminatory in its perpetuation of an exclusive nuclear aristocracy in the West. More recently both countries have developed or purchased ballistic missile systems giving each country a 'first strike' capacity endowing the sub-continent with all the necessary ingredients for full scale nuclear conflict.

⁸ About 350 000 Indian troops are believed to be stationed in Kashmir and 11000 people have died since 1989 when the conflict re-ignited following the entry of the Afghan Mudjahadin into the valley.

However, there are other sources of insecurity in the south Asian region. China and India, despite an ongoing dialogue, maintain disputes over frontiers, stretching for 2,500 miles from Ladakh in the Western Sector to India's North East Frontier Agency. Both have advanced nuclear programmes and the capability to deliver bombs to each others principal cities. Furthermore many Himalayan states fear the impact of Indian migration on their demographic profiles which has implications for their continued independence from India. Only the fear of Chinese territorial expansion keeps the Himalayan states within the Indian fold. In the south Sri Lanka accuses India of insufficient efforts to limit Indian Tamil support of rebels in northern Sri Lanka fighting to create a Tamil homeland. In the north-west Afghanistan and Pakistan continue to squabble over the Durand Line that divided the fiercely independent Pushtu-speaking Pathans between Pakistan's North West Frontier Province and Afghanistan (Brecher 1994). The Pakistani army's permanent engagement in the North-West Frontier Province in an attempt to secure this line has enraged Pushtu tribes people causing them to revolt against Pakistan. Arms proliferation is unchecked and refugees from the border conflict as well as other tribal and religious conflicts in Afghanistan make this one of the most explosive areas in south Asia. In the east, Muslim Bangladesh, extremely vulnerable to Indian invasion, remains suspicious of India's intentions and maintains few contacts with its Hindu neighbour. Finally in the north-east the atrocities of the military-backed regime in Myanmar regularly creates refugee crises in India's Assam Province as Myanmar Muslims flee to Bangladesh complicating Delhi's already poor relationship with Dhaka.

From this synopsis of regional insecurity in south Asia it can be seen that India is central to almost every conflict or potential conflict in the region. Since the end of the

Cold War the conditions have emerged in south Asia for India to begin assuming a more constructive role. The Cold War balance that existed between India and Pakistan has shifted in India's favour. Pakistan's internal and external policies are in a mess while India is increasingly a country that the West feels it can do business with. Its partially liberalised economy is booming, foreign investment is flowing in and exports are rising. The US, previously India's Cold war rival, is now her biggest trading partner and source of foreign investment. Diplomatically India has restored relations with Russia, continued talks with China over borders and improved relations with the US. India has not been slow in using this post Cold War economic and diplomatic security to score strategic points against Pakistan. India has succeeded in convincing the US that Delhi's rationale for the possession of a nuclear capability is very different from Islamabad's. Furthermore India's attempts to have Pakistan branded a terrorist state over Kashmir are no longer falling on deaf ears as Washington moves to an acceptance of Kashmir as a bilateral issue between India and Pakistan. Following the end of the Afghan war Pakistan has not been able to rely on unqualified US support. Western governments who considered Pakistani authoritarianism better than communist or Islamic alternatives are finding the lack of democracy difficult to tolerate as desperately needed economic reforms flounder in a morass of vested interests. Pakistan's insistence on the right to develop a nuclear capacity and boasts of possessing a bomb have seen Pakistan's reputation drop dangerously close to that of a 'rogue state'. Indeed all the evidence suggests that pro-Islamic, rather than pro-democratic forces are in the ascendancy in Pakistan (RUSI 1995). This assessment is actively encouraged by India.

These shifts have seen Islamabad's ambition to be the bridge between central Asia and the Indian Ocean, its second major foreign policy focus, flounder as factionalism and economic stagnation drag Pakistan into ever-deeper internal crisis. Violence has increased between Sunni and Shia Muslims while Karachi has been turned into a battleground between Indian Muslims and officials. In addition hostilities continue on the North-West Frontier and Afghanistan while Iran, also styling itself as central Asia's link to the Indian Ocean, grows more influential. In the light of these developments the US is beginning to see India as a potential ally against Islamic fundamentalism in central Asia and beyond. It is essential that India, as one of the foundation states on which the Indian Ocean community is to be built, does not get caught up in strategic alliances with the US. Similar alliances in the Gulf indicate that involvement in the US's ideological struggle against Islam furthers neither national development nor regional security. Rather than become the US's soldier against Islam India could play a much more constructive role in the Indian Ocean and central Asia. As an example of the benefits of modern secular democracy and controlled economic liberalism India could go a long way towards creating the conditions in the Gulf, central and south Asia for the spread of these ideals.

India's role is to create the awareness that south and central Asia and the Gulf are a unit and need to function as one both strategically and economically. Yet the trade and other intercourse between south Asian countries and central Asia is extremely low. As in Africa few intra-regional linkages were established during the colonial period and regional rivalries and insecurity have compounded regional isolation since independence. Nonetheless the creation of viable commercial links between India and Pakistan, and the nations of central Asia, the Gulf and the Middle East offers a route towards the

establishment of non-antagonistic regional relations based on mutual dependence. The commercialisation of relations through the development of infrastructure connecting the countries in south Asia and beyond offers the advantage of integrating this fractious region within an expanding commercial system. Such integration would have obvious implications for regional security. Furthermore as the means for private citizens to become involved in regional trade develop, civil society within the nations of the region will gain a greater stake and role in decision making processes. In this way the policy formulation of regional governments will be influenced by growing private commercial interests. The hawks who dominate security and regional thinking and base their decisions on purely military conceptualisations of national security will gradually be replaced by more secular imperatives bent on profit and peace.

India's relationship with Pakistan is crucial to the establishment of a south Asian infrastructural co-ordination regime. Only through Pakistan can India be connected to the Gulf and central Asia. This puts Pakistan in a much stronger bargaining position *vis a vis* India than by threatening the nuclear card. In addition the infrastructural co-ordination route offers Pakistan huge revenue gains as both gateway to India from the Gulf and India's passage to central Asia. Karachi could be developed as a major Indian Ocean port linking east and southern Africa to central Asia and China and reap significant profits as this trade increases. As the importance of trade and commerce grow and the Pakistani population becomes more prosperous the political and diplomatic centrality of Kashmir will decline. Similarly as India recognises the strategic value of Pakistan as a regional partner in prosperity its own obsession with Kashmir will diminish creating the

conditions under which the Kashmiri people could decide their own future without interference from either neighbour.

Furthermore the nations of south and central Asia and the Gulf united in commercial endeavour and connected to their natural market outlets and resource bases in the Indian Ocean would create the conditions under which Islamic governments no longer represented a threat to international stability. Instead of allowing the US to isolate and antagonise Islamic governments these should be invited to join in the infrastructural linking of the Indian Ocean. In this way Islamic states, however they wished to constitute themselves, could play a positive role in the Indian Ocean system and contributing their products and resources towards the development of the region. A worst case scenario would see Pakistan drifting further from China and the West into Islamic fundamentalism antagonising the US. This coupled with a right wing Hindu government in Delhi could tip the balance from an atmosphere of caution to open war. The best way to ensure that even if this scenario were to develop war could be avoided would be to establish co-operation in a functional area in which both societies recognised a relationship beyond the political. Neither country can survive without continued investment and economic reform. In the end stagnation will present a greater threat to national survival than hostile neighbours.

The cultural, religious and ethnic composition of the Indian Ocean makes the institution of a regional organisation based on a political or religious norm impossible. New areas of co-operation beyond politics have to be established in which political and religious differences will be not become central. Infrastructural co-ordination within the

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Indian Ocean region offers an alternative path to regional identity beyond politics and religion.

Eastern Indian Ocean

ASEAN's security objective was the development of its members' economies so as to eliminate the socio-economic deprivation which contributed to the appeal of communism and ethnically and religiously based rivalries. Security was to be created by providing populations with the material motives to resist non-compliance with governing elites. It was believed that the internal stability so created would engender regional security (Dibb 1995).

While co-operation has developed at a functional level structural integration between the ASEAN states has remained minimal. Despite decades of increasing prosperity within the individual nations of ASEAN tensions remain. The reason for this is that ASEAN states, like most in Africa, the Gulf and south Asia have narrow power bases. Power is located principally in military, business, land owning, bureaucratic and technocratic elites. Rural areas inhabited by ethnic minorities or agricultural classes have not been integrated into urban structures and form neither part of national power bases nor share in prosperity. These groups see the interests of governing elites as coincidental with the maintenance of a social, economic and political *status quo* which tolerates corruption and their own exploitation. The reason why ASEAN states are incapable of developing a strong security regime in which internecine violence would be inconceivable,

is that most of its members remain 'weak states', possessing relatively low levels of socio-political cohesion. The 'weakness' of ASEAN states means that the conduct of intra-ASEAN relations is closely linked to domestic, economic and political problems (Huxley 1993).

There has been little incentive to undertake fundamental reforms as regimes have depended for their survival on the support of elite elements rather than their populations. Public policy is shaped by the interests of small, usually urban higher income groups, rather than the declared social and economic priorities of the nation. As ASEAN states have never attempted to expand their weak political bases insecurity has persisted. Unwilling to reform politically ASEAN states have not had the domestic confidence to deal with disputes which have plagued the region at the formation of ASEAN. Instead conflicts have been tolerated rather than resolved.

The organisation which ASEAN created to address its members' disputes, the Treaty of Amity and Co-operation, was flawed from the start. While intended to provide a code of conduct for relations among regional states as well as create an institutional mechanism for the peaceful settlement of disputes it never achieved more than the recognition that economic development was, for the time being, a priority. Instead of dealing with the structural causes of insecurity ASEAN encouraged its members to subdue disputes amongst themselves in the interests of national prosperity. Thus while ASEAN has been successful at containing these intra-regional disputes it has done little to

resolve them⁹. ASEAN states have exhibited a remarkable degree of co-operation but maintained separate and distinct economies and societies.

The development of ASEAN to include security issues requires a willingness to resolve rather than just de-emphasise disputes¹⁰. Such a development would require that ASEAN states become considerably more cohesive domestically. Yet the sort of political change which is necessary to ensure the attainment of social justice and fair treatment of peripheral regions and groups has never been on the agenda of either individual ASEAN regimes or ASEAN as an organisation. Despite co-operation national insecurities have prevented the structural integration upon which real conflict resolution could be built. A mechanism is needed to create genuine interdependence amongst ASEAN states.

Improved and increased regional infrastructural co-ordination will assist to reduce regional tension and help ameliorate the regional, class and ethnic tensions within and between ASEAN states while encouraging moves towards greater democracy. While this seems like rather a grand claim for a railway, a bridge or a port, increased infrastructural dependence linked to a broader Indian Ocean commercial network will bring the products of poorer classes and marginalised ethnicities and regions to new markets addressing dislocations within the region. As poorer classes and rural areas become integrated into the mainstream economy of ASEAN they will cease to threaten the status quo and assist

⁹ The Philippines claims sovereignty over the Malaysian state of Sabah. Animosity continues between Malaysia and Singapore following the separation of the latter from Malaysia in 1965. To this day Singapore bases its defence strategy on the invasion of one or more of its ASEAN neighbours while Malaysia alone has unresolved territorial disputes with Indonesia, Thailand and Brunei.

¹⁰ A genuine security community, for example, would require that Singapore and Malaysia stop planning for war against one another.

in expanding political power bases. Increasingly integrated ASEAN states relying on jointly managed rail, road, ferry and port connections will see regional ethnic, religious and border disputes assume less threatening proportions as states develop a real culture of consensus in the interest of all of their populations. As ever-more infrastructural links tie Thailand, Malaysia, Singapore and Indonesia together and as their economies rely more heavily on their land links to south Asia and the Middle East through Malaysia, Thailand, Myanmar and India the possibility of 'going it alone' will become less likely and the chance of war reduced (Huxley 1993).

Finally ASEAN recognises the imperative of expanding to include, at least initially, Myanmar and has pursued a policy of 'constructive engagement' towards Yangon since the late 1980's. Myanmar is the key in the proposed land bridge between south Asia, Indochina and south east Asia. Yet ASEAN's lack of success in resolving even basic internal ethnic and territorial disputes does not bode well for its resolution of the situation in Myanmar. Without a substantial improvement in the internal security and political confidence of ASEAN members it is unlikely that it will be able to resolve Myanmar's internal conflicts and integrate it smoothly into ASEAN ¹¹. The integration, wealth and political momentum that would be created by massive infrastructural development in Myanmar linking India, China, and ASEAN would create the conditions under which the regime would feel more confident about confronting ethnic and religious factionalism. As

¹¹ Myanmar's brutal treatment of its Rohingya Muslims, causing 270 000 of them to flee to Bangladesh in 1991/2, angered the Malaysian government and caused unease in other ASEAN capitals. In addition the Yangon regime's illegitimacy in the eyes of most of the country's ethnic minorities, and a high proportion of Burmans as well, and its ostracisation by the West, make it unlikely that it will be admitted to ASEAN unless there is a fundamental, internationally recognised resolution of the country's domestic problems.

Myanmar becomes more prosperous and its structural links to the ASEAN region increase Yangon would become more responsive to ASEAN needs and more likely to respond to ASEAN influence.

Through developing infrastructural links between the poorer regions and nations of south east Asia and linking these to a broader Indian Ocean continental and sea trade system ASEAN will be able to develop a genuinely stable security co-operation system. The systematic integration of regional infrastructure within ASEAN would enable it to expand its system of 'security through mutual dependence' to the rest of Indo-China. Only this will allow it to play an effective and constructive role in expanding security co-operation in south east Asia and bringing genuine peace to Indochina.

Conclusion

Peacekeeping remains a merely *ad hoc* response to the persistent problem of violent or potentially violent crisis. The search for security in the Indian Ocean should go deeper than politico-military concerns. To be successful stability needs to be rooted in a complex of global and regional security regimes designed to cope with the growing problems of nuclear proliferation, dysfunctional states, economic collapse, famine, migration, and uncontrolled arms flows. While conflicts will never be entirely eliminated they can be channelled into non-violent bargaining within forums that inspire confidence in their ability to effect change and deliver a weightier gain through co-operation. The best way to create such a regime within the Indian Ocean is by creating the conditions for

regional interdependence by linking physical and thus commercial infrastructures. The economic spin-offs that result will address the causes of insecurity within states giving governing elites the confidence to begin expanding their support bases. This will create the internal conditions for the development of permanent security between states and establish the institutional structures upon which a regional security organisation could develop.

Infrastructural dependence between societies can contribute to the creation of a regional multi-ethnic identity so diverse that it is less threatening than narrower multi-ethnic rivalries within individual societies. In short in a regional system with hundreds of tribes, ethnicities, nationalisms and religions the threat of dominance by one is limited. As regional identity would be based on mutual dependence on the infrastructure needed to access international trade and empower individual communities the threat perceptions of these communities might be reduced. As various groups within the Indian Ocean begin subscribing to a broader regional identity ethnic, religious and national communities secure in their access to the means of prosperity will be less likely to resort to conflict threatening the states which govern them.

Looking to the future the Indian Ocean should lobby for an expansion of the Security Council to include at least one of its members in order that its populations are better represented at the highest levels of global security management.

CHAPTER THREE

Institutional Challenges

Regional co-ordination across the Indian Ocean will have to find ways of integrating the myriad of existing organisations into a larger system. The scope of organisations differ widely. While regional organisation is practically non-existent in the horn of Africa, the rest of the Indian Ocean represents the whole spectrum of regional co-operation ranging from security co-operation in the GCC to regional development associations like the South Asian Association for Regional Co-operation. In addition a preferential trade area exists in east Africa while a customs union exists in the South African Customs Union. Furthermore the Association of South East Asian Nations represents highly advanced economic and infrastructural co-operation yet surprisingly little institutional integration. At the furthest extreme the Australia-New Zealand Closer Economic Relations agreement advances co-operation beyond even a customs union. The trick in the Indian Ocean will be to initiate a process of integration offering immediate gains without threatening central governments or existing institutions with loss of economic control. A regional transport co-ordination and development body would promote integration in the region without involving negotiations on domestic industrial and investment policy.

In assessing the potential of the Indian Ocean region for integration it is necessary to examine the formation and structure of the organisations which exist in the various regions of the Indian Ocean rim.

The African Sub-Region

While numerous regional organisations have been formed in Africa only those pertinent to the Indian Ocean will be dealt with.

1) The Organisation of African Unity (OAU)

At the inception of the OAU in May 1963 it was decided that more limited co-operation rather than total integration would be the best way to promote African unity. It was necessary to create strong states first (Mazzeo 1984). Hence the OAU's founding principles defended the sovereign rights of states and avoided references to political union. The internal weakness of the newly independent states meant that intervention, dictatorship, corruption and economic decline occupied the energies of the OAU and its leaders. The institutional weakness of African states effected the OAU's ability to implement policy (Mazzeo 1984). In response most African heads of state have pursued narrower national interests at the expense of pan-African ideals.

In an attempt to re-establish regionalism on the African agenda and in so doing justify the continuance of the organisation the OAU proposed the African Economic Community Treaty in 1991. The treaty aims to promote Africa's socio-economic development through the integration of African economies ¹. In addition the 1991 call for

¹ The treaty established a continental framework for the development, mobilisation and utilisation of the

a Conference on Security, Stability, Development and Co-operation in Africa has also been included on the OAU agenda (Ohlson and Stedman 1993). In the face of the ongoing problems of the African state the OAU has recognised the necessity for sub-regional co-operation in Africa. The OAU increasingly accepts that any attempt at promoting regionalism can only contribute to the welfare of the rest of the continent. This recognition bodes well for east and southern Africa's involvement in a broader Indian Ocean community. Given the OAU's institutional capacity, however, its latest timetable for economic co-ordination it is too ambitious. Since many of the smaller regional associations formed subsequent to the establishment of the OAU have achieved greater degrees of co-ordination the various regions of Africa are recognising that their interests lie with these smaller organisations. As east and southern African nations connect their infrastructures to the expanding trade network of the Indian Ocean these rekindled commercial ties will promote a new regional identity linking these states to each other and the Indian Ocean.

2) The African Development Bank and the African Development Fund

Most African economies survive on injections of capital from abroad, borrowing directly from international lending institutions at individually negotiated rates. Hence the role of the African Development Bank (ADB) and the African Development Fund (ADF) has always been secondary to the international institutions. The debt crisis of the eighties and the various rescue packages negotiated by the IMF conditional upon structural

continent's resources by harmonising policies of self-reliance. The policies of existing regional economic groupings are to be dove-tailed in six stages and an African Economic Community created over the next thirty four years (Adenji 1993).

adjustment have ensured that by the mid-nineties African economies are more dependent than ever upon international capital. As the price of borrowing increases the realisation is dawning that capital can be accessed more cheaply as foreign investment if economies gear themselves to attract this capital.

The reason for the apparent failure of the ADB and the ADF has been that they have tried to operate regionally in an environment that displays few regional characteristics. If anything Africa is more outwardly oriented now than it was at independence. Instead of working against what is, for better or for worse, an established structural condition namely, outward orientation, this condition could be developed in such a way as to attract international capital. The co-ordinated development of road, rail and port infrastructures in east and southern Africa oriented towards an expanding Indian Ocean market will provide projects attractive to international private capital. Once capital starts flowing into the region the ADB and ADF could help co-ordinate regional financial and investment policies in accordance with generally accepted international banking practices, as well as assist in the harnessing of local capital and institutions in the reconstruction and integration of African economies. In this way indigenous capital could be created giving the ADB and ADF real resources with which to effect policy.

3) The Preferential Trade Area

The UN Economic Commission for Africa has been promoting regionalism in Africa as the only viable strategy for the continents' development arguing that only regional groupings can provide markets large enough to support industrial growth and

promote Africa's self-sufficiency (Foroutan 1993). Accordingly in 1981 the UN Economic Commission for Africa founded the Preferential Trade Area for East and Southern Africa (PTA)². The PTA recognised the establishment of an economic community as its ultimate goal, a preferential trade area being but the first step. Success in meeting these goals has been hampered by the poverty of the PTA's members, the undiversified structure of their economies, the economic, cultural, political and ideological differences between them as well as the political instability of the member states.

4) Southern African Development Community (SADC)

The SADC was started as the Southern African Development Co-ordination Committee (SADCC) in 1980 becoming the Southern African Development Community (SADC) in 1993³. SADC's original objective was to promote co-operation amongst southern African states in an attempt to lessen their economic dependence on South Africa⁴. From its inception SADCC rejected the idea of a customs union concentrating instead on the more modest goal of economic co-operation in southern Africa (Foroutan 1993). While many of the SADC's members overlap with the PTA and there is duplication of development processes there is scope for a division of labour between the

² The PTA consists of Angola, Burundi, Comoros, Djibouti, Ethiopia, Eritrea, Kenya, Lesotho, Malawi, Mozambique, Mauritius, Rwanda, Somalia, Sudan, Swaziland, Uganda, Tanzania, Zambia, and Zimbabwe.

³ SADC consists of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Namibia and South Africa joined in 1990 and 1993 respectively. Only a small secretariat with limited co-ordination duties was established as the various projects are carried out by member governments.

⁴ During the 1980's SADCC's resistance to South Africa assisted in raising over \$3 billion from the international community which covered 90% of its projects. The lions share was apportioned to transport and communications in a effort to lessen dependence on South Africa. The main project was the development of the 300 km long Biera corridor containing a port, a railway, a road, an oil pipeline, electricity cables and a number of development projects.

two organisations. It will be crucial, however, that the organisations develop institutional mechanisms for regular contact which in time can develop into co-ordination.

5) The South African Customs Union (SACU)

The SACU comprising Botswana, Lesotho, Swaziland, Namibia and South Africa was created in 1910 replacing an older union in existence since 1889. While dominated by South Africa, goods and markets are well integrated and there is a common external tariff and a common excise tax, the proceeds of which are paid into a consolidated revenue fund shared by members in proportion to their share of total trade ⁵. All SACU members, except Botswana, are members of the Rand Monetary Area, with the South African Reserve Bank acting as the central bank for the whole union (Foroutan 1993).

The Way Forward: Infrastructural Co-ordination

In evaluating the PTA, SADC and SACU it must be noted that none of the groupings besides SACU has achieved any noticeable degree of integration in goods and markets. Nonetheless co-operation in the PTA and SADC has been successful in infrastructural projects pointing to a potential for regional infrastructural co-operation between the two organisations. As SACU calculates its revenue sharing formula on the volume of freight moving within the union the extension of rail, road and port co-ordination to SADC and PTA could unite the region under one revenue sharing scheme. In

⁵ Botswana, Lesotho and Swaziland receive more than their contributions as compensation for leaving trade, industry and fiscal decision-making to South Africa.

this way co-operation could be advanced through the integration of transport networks while avoiding the stickier issues of tariff regulation.

Since political changes in South Africa many SADC states have indicated their eagerness to be admitted to SACU. A more likely scenario would be the institutional expansion of SACU with an altered formula under the name of SADC. In this way the stronger institutional structure of SACU could be added to the political popularity of SADC and the PTA and a single southern and east African economic co-operation association formed. As infrastructural co-ordination proceeded the three organisations would grow closer together institutionally creating the possibility for revenue sharing and perhaps the streamlining of customs restrictions.

Due to its role in the SACU and its relative economic size South Africa remains the key to integration in southern and east Africa. While it is hoped that the influence of a free-market South Africa joining the region will establish a trend towards more liberal and export-oriented economic development South Africa's role remains highly contentious. Like India in south Asia South Africa is expected to play a leading role in regional development without dominating the region. At the same time South Africa is concerned that regional discord and poverty might embroil it in endless political wrangling and expensive, unprofitable development endeavours.

Whatever the political arguments it is certain that South Africa's contribution to infrastructural development in southern and east Africa will be determined by market incentives. Yet a profit driven system threatens to link only those areas and projects

attractive to capital. A regionally co-ordinated transport development programme integrating regional and international private and official funding could, however, assist the market in linking areas of southern and east Africa to each other and to markets in the Indian Ocean. The revenues raised by the individual governments or regional associations through taxes, industrial spin-offs, and perhaps a regional fund could be used to channel resources to areas avoided by the market.

In this way the PTA and whatever SADC/SACU amalgam emerges might find that so much of their funding had been sourced through the same institutions and so many of their projects carried out by the same consortia that their operational procedures, policy and institutional structures would have evolved along similar lines making the region much more attractive to investment. Such an arrangement institutionally linked into an even broader Indian Ocean system would only serve to enhance the trade and investment potential of east and southern Africa.

The Gulf Sub-region

Only those states in the Middle East washed by the Indian Ocean or its associated Middle Eastern waters in the Persian Gulf and the Red Sea would form part of any Indian Ocean regional organisation.

The most significant attempts at regional organisation in the Middle East have been the Arab League and the United Arab Republic (UAR) ⁶. While the League acts as a forum for discussion among Arab states, as a regional organisation it has proved ineffective. None of the Arab heads of state who represent their countries in the Arab League have been democratically elected and there is no particular reason why their views on the 'interests of the Arab nation' should be privileged over others. Both the League and the UAR were formed out of the fears and ambitions of elites who controlled the security forces and acted in the name of the state. Both became the instruments of the most powerful forces within them with policy varying according to whichever leader managed to gain the upper hand. Under such conditions regional functional co-ordination and economic development was never a priority.

During the Cold War a number of regional organisations aimed at countering the USSR were proposed or established by the US and Britain. Yet any Arab regime associating with the west undermined its own security within the region. In addition Arab states viewed the west's association with the Jewish state as a greater threat to regional security than the USSR with whom they shared ideological sympathies. Organisations like the Baghdad Pact (later to become the Central Treaty Organisation, CENTO) were not only short-lived and ineffective but also contributed to the isolation of the governments which joined.

⁶ The Arab League was set up in 1945 by Egypt, Iraq, Saudi Arabia, Transjordan, Syria, Lebanon, and Yemen and grew into an organisation including all the Arab states. The founding states remained suspicious of each other each hoping, under the flag of Arab unity, to realise individual ambitions. While the League was created as an expression of Arab unity the independence and sovereignty of each state had to be guaranteed (Tripp 1995). The United Arab Republic was formed between Egypt and Syria in 1958. The UAR was, however, dominated by Egypt which treated Syria as a province leading to its secession in 1961.

A more successful regional organisation has been the United Arab Emirates (UAE) involving the small Trucical States. The UAE appears to work as its members are all ruled by aristocratic coalitions who share a consensus resting unashamedly upon the ruling families of the seven members of the federation (Tripp 1995). The UAE experience of co-operation within a flexible framework based on similar concerns and informal styles of political behaviour encouraged the US to form the Gulf Co-operation Council (GCC) in 1981. The GCC brought Saudi Arabia, Kuwait, Bahrain, Quatar, the UAE, and Oman together with the US in a pact intended to promote economic co-operation by enhancing the internal and external security of the states concerned. Though largely ineffective in bringing permanent security to the Gulf the GCC has been effective in suppressing unrest for the time being.

The GCC states have, however, done little to co-ordinate defence ⁷. Instead GCC states have spent lavishly on national defence while resisting regional defence co-operation. Regional impulses foundered upon national competition paralysing regional organisations. Even where a formal association like the GCC exists the real business of responding to external challenges, shaping political alliances, managing economies, and handling security is being conducted between each state's highly secretive security establishments and the US (Tripp 1995).

⁷ During the Iran-Iraq war the GCC state's attempt at military co-ordination, Peninsula Shield, consisted of less than ten thousand men whose significance was largely symbolic. Kuwait only became involved when its shipping lines were attacked by Iran and even then it appealed to western powers for assistance.

As all Gulf states are oil exporters dealing with states outside the region no particular rational for regional co-operation exists. Furthermore in political orders built upon networks of patronage development projects are generally undertaken to enlist the support of powerful social coalitions against regional rivals making the regional co-ordination of such schemes impossible.

There is no realistic prospect of Middle East-wide regional integration on the EU scale. Nonetheless moves towards economic co-operation amongst the Gulf countries based on agreements to co-operate in functional areas offers a potential solution to growing instability in the Gulf. Projects include water management, regional infrastructural development, especially ports and shipping, and the creation of institutions like the Middle East Bank for Reconstruction and Development (MEBRD) ⁸. Co-operation in practical areas that will bring immediate economic and social relief to dissatisfied populations offers the greatest potential for successful co-ordination. Such practical integration will inevitably translate into co-operation at higher levels and contribute to the construction of a more lasting framework for Middle East peace and security (Ben-Shahar *et al* 1989).

If the Gulf is to be involved in an Indian Ocean association this will have to appeal to the real level at which business is happening. Attempting regionalism on too grand a scale will touch areas threatening to ruling elites affecting regional political stability and

⁸ The Middle East is characterised by low levels of intra-regional trade. Amongst members of the Gulf Co-operation Council (GCC) they are practically zero for most goods including food. The bulk of exports are mineral resources. Only in Bahrain does intra-regional trade amount to as much as 50% of trade. This in itself attests to the effectiveness of efficient port and cargo handling facilities in creating the conditions for trade and export orientation.

internal security. Similarly regionalism based upon purely military concerns without reference to the political and economic causes of insecurity has proved unsuccessful. As mentioned in Chapter Two a piecemeal approach concentrating on a specific sector like transport co-ordination producing immediate gains, promoting social stability and forestalling political change within individual states is most likely to receive support.

The South Asian Sub-region

The South Asian Association for Regional Co-operation (SAARC) was initiated by president Ziaur Rahman of Bangladesh in 1980 to promote technical, economic and cultural co-operation by establishing committees of experts meeting on an *ad hoc* basis⁹. While the SAARC was officially inaugurated in 1985 the Standing Committee of the SAARC had been co-ordinating policy since 1983 (Chopra 1989). Co-operation within SAARC is based on respect for equality, territorial integrity, political independence, non-interference, and mutual benefit. The Integrated Programme of Action (IPA) adopted at the first Summit of the Heads of Government in 1985 covered economic, social, cultural and infrastructural co-ordination¹⁰. Decisions are taken on the principle of unanimity rather than by majority voting. In addition no member is required to accept any obligation within SAARC inconsistent with its obligations outside SAARC while members are bound not to take up 'controversial issues'. Nonetheless the temptation exists, especially

⁹ SAARC members are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

¹⁰ The Integrated Programme of Action now covers eleven broad areas, namely; agriculture, health and population, meteorology, postal services, prevention of drug trafficking, rural development, science and technology, sports, arts and culture, telecommunications, transport, and women. Associated areas and industries are added on an almost continuous basis (Shukla 1993).

amongst the smaller countries, to use SAARC as a forum for raising security concerns (Ahmed 1989).

One of the major obstacles facing regional co-operation in south Asia is India's size in relation to the other members ¹¹. In addition India's industrial economy and recent liberalisations threaten to swamp regional industries if borders are opened to trade ¹². While unanimity of decision making in SAARC helps to lessen India's power preponderance it means that SAARC gets bogged down in low activity. Political differences combined with the veto rights of the members makes SAARC unable to adopt a unified approach in multilateral trade, aid and borrowing negotiations. Despite SAARC's existence for over a decade high levels of mistrust remain and integration has been painfully slow. SAARC projects have generally been successful at consultation and planning though less successful in implementation. The problem seems to be that once a project is decided on it becomes the responsibility of a single government. The department to which it is handed fails to consult its counterparts in the other SAARC administrations hence regional co-operation is neither elicited nor received. It is recommended that teams of technocrats be chosen for their ability regardless of their country of origin (Saksena 1989).

¹¹ India accounts for 73% of the combined geographical area and 77 % of the combined population of all the SAARC member countries. While the region is poor in mineral resources India possesses 90% or more of the regions coal, petroleum, chromium, magnesite and salt. Furthermore India is responsible for three quarters of the manufacturing value of the SAARC countries.

¹² Fear of India's size combined with political conflict means that opportunities for regional trade and co-operation are being missed. For example, India, whose trade with Pakistan averages a mere US\$ 50 million a year, is losing the opportunity to pick up orders for capital goods from Pakistan worth anything from US\$ 1000 million to US\$ 1500 million per year. In turn Pakistan is losing the opportunity of sourcing from the cheapest supplier.

A more pertinent reason for SAARC's limited success is that few projects have appealed to private capital. Most commentators admit that if regional co-operation is to be put firmly on the agenda of south Asian governments a project is required that will inspire a commitment of state capital as well as attract local and international private capital. This is unlikely to happen unless SAARC is able to create a more stable and co-operative regional environment. The best way to nurture political confidence will be for SAARC to achieve a break through in infrastructural co-operation and in this way demonstrate the advantages of integration to south Asia.

At the moment SAARC's focus is too broad. Covering too many areas with too few resources will not appeal to governments already inundated with commitments at home. Where government incentives and co-operation are absent private capital is even less likely to take up the challenge. The lack of physical communication and links between SAARC nations has caused exports, imports and investment within the region to grow more slowly than the commercial and financial relations that individual member countries have with more distant trading partners (Shukla 1993). At the moment SAARC talks of a preferential trade area yet goods are not moving within the region. The participation of SAARC in the development of a south Asian rail, road, river and sea transport system linked into a broader Indian Ocean transport network is the key to kick-starting regional co-operation in south Asia.

SAARC's main advantage lies in the fact that it provides a forum for contact enabling it to co-ordinate resources at the highest level. SAARC should use this to extend its mandate to cover economic, financial and commercial co-operation. Transport co-

operation and development would require the establishment of region-wide investment co-ordination with capital being contributed by all the countries in the region for joint ventures and development projects. Joint capital contribution and technical management would ensure that projects had assured access to regional capital and markets as well as independent legal personality (Chopra 1989).

Under SAARC the possibility of setting up a south Asian institute for transport management and training should be a priority. The possibility of establishing a SAARC shipping conference should also be examined. Out of these two arrangements closer rail, road and port co-ordination could develop with obvious implications for border controls, customs agreements, increased trade and ultimately tariff reduction.

India is the vital link between all the south Asian countries and should assume the role that her size and geographic position dictate. If India opened its borders and extended its rail, road, canal and port development into the region by allowing its neighbours to 'link up' to India's extensive internal infrastructure India would demonstrate its commitment to south Asia and gain more access to the region. Furthermore if India were to take the lead in liberalising its own regulatory framework first the advantages of similar de-regulation would be demonstrated to the region. The trade and development spin-offs in service related industries arising from such Indian-led but SAARC administered reform would provide the incentive for similar de-regulation in other areas. For SAARC to achieve effective co-ordination and promote real development, India will have to work to inspire the kind of confidence that other large nations do in their own neighbourhoods. The route to winning regional confidence lies in joint infrastructural development.

The Eastern Indian Ocean Sub -region

The eastern Indian Ocean sub-region is composed of Australia, Indonesia, Malaysia, Myanmar, New Zealand, Singapore and Thailand. These states are involved in a variety of sub-regional arrangements with a predominantly Pacific focus. The involvement of ASEAN in the Indian Ocean will be critical in the provision of technical and financial assistance. In addition the structure and success of their regional arrangements offer vital examples and expertise to the rest of the Indian Ocean.

1) ASEAN

The Association of South East Asia (ASA) was formed in 1961 becoming the Association of South East Asian nations (ASEAN) shortly thereafter. It restricted its activities to conducting sector-specific technical projects according to the 'Asian Way' of separating politics from administration. Significantly projects of the ASEAN Committee on Transportation and Communications (COTAC) outnumber those of other committees and include civil aviation, land transportation, postal services and telecommunications, and shipping and ports.

COTAC's land transportation efforts have sought to develop ferry links across various international waterways creating passages through the region speeding up the

movement of international traffic. The increased flow of goods has prompted the standardisation of border and customs procedures boosting internal trade by bringing products previously too expensive to transport to regional and international markets. The development of rail, road and waterway networks linked by modern and efficient ports has made this region the worlds most active and lucrative sea service node. These expertise will be particularly useful to the Indian Ocean which could well become the next sea service and road haulage node servicing the vital link between Asia and Europe and South America.

In ASEAN, as in SAARC, projects are given to specific countries to co-ordinate. In ASEAN, however, regional consultation and input remain high. Countries have actively contributed to the establishment of centres of excellence in neighbouring states in the general interests of the region as a whole. Commitment is ensured as most projects offer the opportunity for profit. This keeps capital loyal and encourages the assimilation of technology. As there is very little prescription by the ASEAN secretariat national control of development is not lost and neither the governments nor the businesses they are using to carry out the development lose interest. The flip side of this arrangement is that national ownership has remained strong and genuine integration limited. As discussed in Chapter Two unresolved security conflicts between the ASEAN states have reduced governments willingness to allow the formation of shared administrative structures. Control remains in the hands of national governments which permit co-operation but very little structural integration as this would threaten national security.

The solution lies in allowing the private ownership of roads, rail and ports across the region. This will allow independent and perhaps even foreign capital to prise the control of development away from governments in the interests of the development of truly interdependent and jointly owned regional infrastructures. This will create the conditions of genuine interdependence upon which security can be established. The situation is ripe in ASEAN for the formation of a truly trans-regional administration developing infrastructural and institutional links to the east and west. For the time being insecure ASEAN governments unwilling to relinquish national control stand in the way of integration and threaten to perpetuate regional conflicts.

Looking to the future ASEAN's expansion to include Myanmar will inevitably extend its horizons westward. It is also worth noting that Sri Lanka submitted a formal application for membership and that ASEAN foreign ministers meet regularly with India at the highest level. In addition commercial relations with Mauritius and South Africa are increasing as ASEAN looks to Africa for raw materials, new destinations for investment and markets¹³. Despite cultural dissimilarities it is not inconceivable that ASEAN or at least some of its members will become institutionally linked to the Indian Ocean community as investment and collaboration grow. In this regard Myanmar could play a vital role not only physically joining but perhaps also institutionally bridging south and south east Asia¹⁴. The role that transport co-ordination can play in institutionally

¹³ ASEAN is also looking eastward and co-operation is increasing with countries granted ASEAN 'observer status', seen as a route to eventual membership. The list includes Fiji, Khmer Republic, Laos, Papua New Guinea, Vietnam and Cambodia.

¹⁴ The other major regional organisation involving the states of the eastern Indian Ocean littoral is APEC. APEC has little central bureaucracy and remains a body for international dialogue and consultation on regional economic issues (Gibb 1993). APEC is not designed to compete with other organisations in the region but rather to complement ASEAN, CER, the Pacific Economic Co-operation Conference (PECC) and the Pacific Basin Economic Council (PBEC) (Foot 1995).

expanding ASEAN to cope with its own insecurities as well as manage broader security threats in the rest of Indo-China is immense.

2) Australia and New Zealand Closer Economic Relations Trade Agreement (CER)

The Australian and New Zealand economies have been undergoing fundamental restructuring in attempt to win new international markets and increase the competitiveness of their industrial produce. Conscious of their distance from Europe and North America and mindful of the economic potential of Asia, Australia and New Zealand have been moving towards closer relations with the rest of the Pacific rim (Gibb 1993). Australia is also one of the core countries involved in the latest Indian Ocean regional initiative recognising the potential of the emerging commercial system to its west. Australia has taken the view that in the Indian Ocean an institutional foundation for development will have to be created before the region can be considered as a prospect for trade. The Pacific and Indian Ocean areas have been targeted by Australia and New Zealand for the expansion of regional links in an attempt to counter marginalisation. While the larger south east Asian market is receiving greater attention the potential and indeed necessity of extending links westward remain central to Australia and New Zealand's foreign economic policy (Cobban 1992).

The institutional expertise developed during Australia and New Zealand's creation of the Closer Economic Relations Trade Agreement (CER) could prove vital for Indian Ocean institutions. The CER has stimulated trade and investment between the two countries and supported their moves towards economic liberalisation and the reduction of

protection (McLean 1995). In addition the CER's reduction of trade barriers to non-members shows that free trade areas can be outward looking and consistent with high levels of international competition and performance (Holmes 1992). Significant for infrastructural co-ordination was the harmonisation of freight rates which have been deepened to include the harmonisation of laws and regulations in quarantine, customs procedures, and technical barriers to trade. The point that emerges for the proposed Indian Ocean transport co-ordination organisation is that the mere upgrading of facilities is not enough. Australia and New Zealand's ports are already well developed. Good facilities once developed have to lead to the legal, procedural and operational reforms that cut time, costs and boost volumes.

The Asian Clearing Union as Institutional Embryo

Of particular significance for integration in the broader Indian Ocean area is the Asian Clearing Union (ACU). When developing countries trade with one another a fundamental problem is that purchases must be made in currencies with a high degree of international convertibility requiring an importing country to convert its currency into US dollars in order to pay for goods. The exporting country then changes US dollars into local currency to pay employees for manufacturing the goods. For each conversion from one currency to another a bank charges a fee making trade costly. Hence it is more profitable for developing countries to deal directly with developed trading partners and avoid expensive currency conversions (Haas 1989).

In response India and six adjacent countries formed the ACU between 1974 and 1977¹⁵. India's ability to act as the *de facto* balancer of payments in South Asia ensured that other south Asian countries would consider the idea of the union. ASEAN formed its own payments union in 1977. In 1982 the governor of Iran's central bank visited Singapore, Malaysia and Thailand to discuss their entry into the ACU (Haas 1989). At present a clearing union including most south Asian and south east Asian countries exists¹⁶.

The ACU is crucial in binding south and south east Asia together. The extension of the Asian Clearing Union to include all the nations of the Indian Ocean littoral could form the institutional nucleus around which the various regional organisations could begin Indian Ocean-wide co-operation. If all the countries of the Indian Ocean rim were permitted membership of an extended Asian Clearing Union regional, organisations co-ordinating regional transport development and promoting regional trade would become increasingly dependent on the clearing union. As the central body co-ordinating currency flows between the various Indian Ocean regional organisations and their members the clearing union could determine the policy of its member organisations and begin harmonising the policies of member institutions and governments.

¹⁵ The countries joining India in the AMU were Bangladesh, Iran, Myanmar, Nepal, Pakistan and Sri Lanka.

¹⁶ Under the ACU the Agent Bank in Teheran converts currencies into Asian monetary units (AMU's). AMU's are equal to special drawing rights guaranteed in US\$. By 198 the, ACU reported 484 million AMU transactions, more than three times the 1980 figure. At present transactions through the ACU account for almost half of total trade among the member countries (Haas 1989).

Conclusion

In an international environment in which it is increasingly difficult for poor countries to negotiate favourable agreements with powerful groupings of industrialised economies a regional response has become a necessity. However, regional responses need to be properly co-ordinated through effective institutions. The opportunity exists for infrastructural co-ordination to strengthen existing organisations by allowing them to concentrate upon regional development in a single sector. Similarly limiting co-ordination between existing regional organisations to infrastructural development could act to build the first Indian Ocean-wide regional institution. Once infrastructural co-ordination has begun uniting the region through limited transport co-ordination, the international leverage afforded a market of 1 643 million in an area containing most of the worlds energy deposits, mineral and raw material reserves and straddling the worlds most strategic water ways, will speak for itself. This institutional bedrock combined with the extension of the Asian Customs Union to include the whole Indian Ocean littoral will provide a firm foundation upon which more complex institutions can be built.

CHAPTER FOUR

The First Steps

The European reaction to changes in the global economy, technology and production has established a new level of international relations and competition. While this challenge is being met in both Asia and north America it is unlikely that the states of the Indian Ocean littoral will adapt to the altered nature of the international system unless a method of integration can be hit upon that will not exacerbate their internal weakness and international vulnerability. The trick is to demonstrate how infrastructural co-operation established between the nations of each sub-region could lay the foundations upon which broader regional institutions could be built. Sub-regional co-ordination of transport could later be organised on a trans-regional level linking all the nations of the Indian Ocean into a single infrastructural system leading to higher levels of integration.

Africa

Concentration on the integration of infrastructure along the African Indian Ocean littoral will avoid issues of premature liberalisation and tariff reduction. In addition trade would be encouraged according to the market trends which SADC and the PTA always appeared to be working against ¹. Two types of challenges face transport co-ordination in

¹ Traditional SADC and PTA language argues that those areas in which South Africa dominates the region should be restructured so as to give more benefits to SADC states other than South Africa by allowing them to develop and own transport infrastructure. Such an approach is based on a strategy of

Africa. These are the concentration of transport and industrial infrastructure on South Africa and the underdeveloped nature of regional economies, bureaucracies and capital markets. Under these conditions any growth in regional trade will initially favour South Africa. Yet as the scale of production grows development and industrialisation will move into the region. However, the co-ordinated development of transport infrastructure, however, will ensure that the factors and mechanisms of production move more quickly into the region without acting against market needs. Instead transport co-ordination can focus market trends on the region sooner by including marginalised economies and populations within a broader system of production and sales (Star and SA Times 26 June 1996) ².

The way to proceed would be to identify projects in the region such as the expansion of rail networks in Mozambique, Tanzania, Kenya, Somalia, Ethiopia, Eritrea and Egypt and the linking of these to upgraded port facilities in Biera, Dar es Salaam, Mombassa, Mogadishu, Djibouti, Aseb, Mits'wa, Port Sudan and El Suez. Depending on which areas these projects covered their co-ordination could be made the responsibility of whatever PTA/SADC/SACU amalgam emerges. Whether the PTA/SADC/SACU, individual governments or private consortia administered a project funding would have to

planned market intervention requiring SADC states to use only non-South Africa ports and for a greater use of these ports by South Africa (Gibb 1994). Whilst this approach could stimulate a redistributive trend in favour of southern and eastern Africa, it is unlikely to raise voluntary investment locally or abroad. In addition it fails to address adequately the central issue of funding and the restructuring of regional institutions.

- ² An illustration that market forces are again moving more freely in southern Africa and integrating the regional economy is the boom in the port of Durban resulting from a increase in South, southern and east Africa's world trade. Since political changes South Africa's international trade with the Indian Ocean has increased. Durban despite expanding its handling capacity cannot meet demand. In response the South African government and private financial institutions have initiated infrastructural development projects that will bring Maputo and Biera on line as fully functioning international ports (Weekly Mail & Guardian Internet Homepage May 1996).

be centrally controlled leading to the co-ordination of central and private banks in the region. Once a uniform and integrated banking and capital system was in place projects could compete for funding across the whole region. Funding would be allocated according to the viability of individual projects no matter where they were located and would depend on their potential for profit rather than national security concerns. The taxes and industrial spin-offs accruing to individual governments as a result of participation would enable them to address those sectors and communities which the market would ignore.

By exercising pressure through SACU and by buying out regional banks and assisting central banks with transparency and reform South African banks have already begun creating the financial infrastructure to fund large international transport development projects. Properly co-ordinated projects because of the increased opportunities for industrialisation and construction offer to boost trade and expand markets. Under this system South African domination of financial markets, construction and industrial ownership will remain a problem. However it is worth noting that the region is already dependent on the international community for capital, construction and industrial development. Thus while South Africa stands to gain from playing a co-ordinating role it will be developing projects within the region, using regional labour, training local management, dispersing skills and disseminating capital.

Furthermore recent trends indicate that the South African economy is less likely to be the disruptive influence originally feared. The devaluation of the Rand has brought it more in line with regional currencies making the cost of South African imports cheaper for the region. Similarly with devaluation in South Africa the comparative return on regional

investment is greater encouraging South African capital into the region. In addition as South Africa, under international pressure, liberalises, sectors like textiles are no longer competitive and have been abandoned to the region, aiding industrial decentralisation.

Regional parastatals like Portnet, Spoornet and Tolcon should be encouraged to privatise and go regional, freeing them from narrow national concerns and encouraging them to assume a regional role geared towards the development and integration of regional port, rail and road networks³. Governments in the region view their transport parastatals as 'strategic' and thus to be retained within public ownership. Yet transport parastatals in east and southern Africa are increasingly turning to the foreign private sector to meet capital and technology deficits. This private sector supplement of parastatals is demonstrating the effectiveness of privatised, liberalised and regionally integrated infrastructural co-operation. Regional governments stand to gain more revenue from the industrial, employment and tax spin-offs offered by the construction of a regionally co-ordinated transport infrastructure than by maintaining protected national railways and ports. The latter are neither connected to an expanding continental system nor capable of attracting the foreign investment needed to upgrade and link up on their own.

As argued the SACU representing an area in which private South African capital and parastatals operate freely and offers the most viable route to regional integration and

³ Portnet's seven ports form an integral part of South Africa's transport network as they are linked to the road and rail systems serving the region. Road hauliers operate between the ports and into neighbouring states complementing a regular rail service operated by Spoornet in conjunction with the national railways of the SACU countries, Mozambique, Zimbabwe, Zambia, Tanzania and Kenya. While Portnet is responsible for the provision and maintenance of the basic infrastructure of the ports, Spoornet is responsible for the road and rail infrastructure between the ports. In addition Portnet provides pilotage, tug services and navigational safety including the installation and maintenance of navigational lights, buoys and dredging.

development because of the financial and physical infrastructure it represents. Without much restructuring SACU institutional mechanisms can be expanded through transport development projects to include the PTA and the entire Indian Ocean littoral of Africa.

The scope for an arrangement such as SACU to co-ordinate parastatals within regional financial networks give it the institutional rigour to deliver transport integration to most SADC Indian Ocean states as well as the coastal PTA states and Egypt. Thus projects as far afield as the *Northern Corridor Transit Agreement* could be brought within the SACU financial and operational orbit. In this way increasingly regional institutions like Portnet, Spoornet, Tolcon, Standard and other banks could raise the finance, provide the expertise and manage infrastructural development in conjunction with regional governments ⁴.

The infrastructural linking of east and southern African countries to each other and to regional ports through an expanded SACU-like organisation incorporating the coastal states of SADC and the PTA would see African products reach markets in the Gulf, south Asia and south east Asia. Access to these markets would produce the market driven green revolution that has avoided Africa for so long. The foreign currency earned through increased trade in food will lead to the private accumulation of capital and as this is re-invested development will spread to other areas.

⁴ The *Northern Corridor Transit Agreement* (NCTA) involving Kenya, Uganda, Burundi, Rwanda and Zaire is aimed at simplifying and streamlining transit procedures through the implementation of a set of protocols involving rail, road and pipeline links. The NCTA also involves the linking and extension of existing lines and the joint construction of new lines (World Bank 1995).

The Gulf

Unlike Africa and south Asia, the Gulf has no organisation attempting to co-ordinate development or regional economic integration. Due to authoritarian and often arbitrary government backed by the US, regional identity in the Gulf has given way to US interests and insecurity has escalated. This thesis has, however, argued that security can be brought to the Gulf by integrating it into an Indian Ocean agricultural, industrial and trade complex that will necessitate the joint development of infrastructure focused on the ports of the Gulf and Red sea looking to south Asia, east and southern Africa and the eastern Indian Ocean in addition to their traditional energy markets (Ben-Shahar *et al.* 1989).

The recognition of a common heritage and identity within a broader Indian Ocean region will not develop as long as the US, primarily interested in securing an uninterrupted supply of oil, is dominating the GCC. In accepting US support Gulf governments are encouraged to purchase US arms technology and get into debt. Debts are re-paid in oil for defence systems that the US and its allies have been unsuccessful selling elsewhere. The West is guaranteed supplies of cheap oil while its defence industries are saved from ruin. As internal insecurity in the Gulf increases the value of oil *vis a vis* defence decreases requiring ever-more oil to maintain an increasingly precarious stability.

The commercial domination of the Gulf by the West has meant that regional institutions like the Arab League have remained weak and have not developed to a degree

which would enable them to link up to a broader Indian ocean system. In addition the private sector in the Gulf is politically weak. Even where private individuals do command economic resources these individuals are usually members of a ruling family rendering the notion of 'private' capital meaningless. More pertinently the weakness of civil society of which entrepreneurs traditionally form a part, as well as the prevalence of patronage as a condition for economic success, make the entrepreneurial groups that do exist wholly subordinate to ruling regimes. Most importantly trade between states is almost non-existent. The bulk of Gulf states continue to export oil to extra-regional importers producing little else that might be of use to their neighbours. The regional agenda is set almost exclusively by the US and governing elites. Both are more concerned with maintaining the *status quo* through their security apparatus than embarking upon reforms which might empower civil society and threaten their monopoly on power. As a result the Gulf states have refused to mobilise resources to meet the domestic causes of discontent namely unemployment, disempowerment and food inflation (Tripp 1995). The trick in the Gulf is to find a route to regional integration that will satisfy the economic aspirations of Gulf populations without challenging the continued dominance of regional elites.

The way forward would be for those states not trapped within a defence-for-oil dependence on the US to begin developing the ports and infrastructural networks that can start servicing the rest of the Middle East and central Asia. Here Iran and Iraq could play a pivotal role. Both countries in the post Gulf War era suffer US trade embargoes intended to encourage their populations into revolt. Despite being bitter enemies Iran and Iraq have far more to gain by adopting regional infrastructural co-ordination and lessen the

effects of sanctions. The disputes raging between the two countries are largely a function of competing strategic interests manifesting themselves in border disputes and legitimating themselves by assuming religious overtones. The greater threat posed to national unity by US sanctions offers the opportunity for Iran and Iraq to scale down hostilities and co-ordinate strategic policy in a united stand against the US. The co-ordination and development of ports and rail networks within and between Iran and Iraq will offer co-operation at a level that does not threaten the power balances within either state while rendering strategic competition unnecessary. As gateways to the rest of the Middle East and central Asia, the scope for infrastructural development between Iran and Iraq and their immediate hinterlands is immense and will provide the employment and investment necessary to begin addressing social pressures within each state. Once these pressures were addressed the need to disguise poor economic performance with religious radicalism will become unnecessary and permanent co-operation will develop.

Once the infrastructural co-ordination linking Iran and Iraq to each other and to their central Asian hinterlands was in place they could immediately begin trading internationally in products other than oil. The bulk of the Indian Ocean countries are members of the Non-Aligned Movement which opposes the US embargo of Iran and Iraq and would be eager to trade with both countries. If Iran and Iraq assume an active trading role within the Indian Ocean this could provide an escape from US sanctions and offer an alternative vision of production and security to the rest of the Gulf and Middle East. Gulf states can demonstrate that oil exports are not the only area in which they can compete as alternative sources of food, income and employment exist in regional infrastructural co-operation. In this way Gulf States will see their long term survival less in military terms

dependent upon the US and more in economic terms as part of an Indian Ocean community.

The ports of the Persian Gulf states bordering the Indian Ocean are in an ideal position to process imported food and export this to their northern landlocked neighbours. This will require the development of the rail and road networks and associated customs liberalisations to ensure the efficient and profitable passage of food products north at a price affordable to their poorer northern populations.

As the advantages of this sort of co-operation are demonstrated to the region, collaboration in transport co-ordination by regional governments will encourage private citizens and their businesses and industries to work together in areas of mutual interest leading to more general economic relations (Foroutan 1993). The Gulf has no problem raising capital using its oil reserves as collateral. If capital was used to develop infrastructure linking the states of the Gulf with each other and their Middle Eastern and central Asian neighbours, the intra-regional trade in food and other essential imports on which the region relies will create centres of capital in industries other than oil. Thus rather than just loading tankers, Gulf governments could encourage capital produced in food import and infrastructural construction to re-invest in food processing and packaging, ship servicing, dry-docking facilities and perhaps even ship building. This piecemeal approach to liberalisation based on the integration of a single sector is more controlled than liberalising across-the-board and hoping for investment to flow in. This merely allows foreign capital to become the principal beneficiary of liberalisation. Increased investment in the industrial sector stimulated by regional infrastructural

development has obvious implications for employment, state stability and regional security in the Gulf and beyond.

Iran's strategic position in the Gulf is enhanced by the fact that it is the Middle East's land bridge to south Asia. As debt mounts and Gulf populations become poorer the cheaper industrial products of south Asia and in particular India will be in increasing demand. While port development will be crucial for bulk food and ore imports from Africa, finished or semi-finished industrial products from south Asia can be transported and traded more efficiently by rail and road. Such links connecting south Asia, the Gulf and the Middle East would have to be built through Iran. Similarly as the food processing and perhaps ship building industries develop linking the Gulf to the Indian Ocean system, the range of Gulf products that could find markets in south Asia will increase. There is as great a need for east-west linkages across the Middle East to south Asia as there is for north-south linkages across the Gulf and Middle East linking the Indian Ocean system with the northern Middle East and landlocked central Asia.

The employment opportunities arising from Gulf-wide infrastructure co-ordination would assist in providing employment absorbing the politically explosive pool of migrant labourers within the region while continuing the flow of the much needed remittances to the poorer regions. In addition these poorer regions would benefit from the industrial development arising from the concentration of greater pools of capital in truly private hands. Once alliances in the Gulf begin shifting away from the US towards a more truly regional focus the conditions for greater co-operation will be established. Long term

co-operation and peace in the Gulf will guarantee the US and the West uninterrupted oil supplies and ultimately act in support of US interests in the Gulf.

South Asia

The success of the present Indian Ocean initiative depends on the south Asian region becoming the lynch pin of a system linking Myanmar and south east Asia in the east to Iran, the Gulf and Africa in the west. In return south Asia stands to benefit from servicing the trade between Europe, the Middle East and the Gulf, Africa and east Asia traverse the roads, railways and waters of south Asia. While the SAARC is the organisation attempting to co-ordinate regional transport development the sheer variety of its projects means that infrastructural co-ordination occupies only one of many portfolios amongst which SAARC's limited resources are spread. As mentioned in Chapter Two, however, lack of regional co-operation more than resources, however, has meant that SAARC has implemented few projects despite its existence for well over a decade ⁵.

The way for SAARC to move beyond project planning is to concentrate on projects in a few or even one crucial sector. This thesis has argued that regional co-operation in transport development in south Asia will provide a functioning framework from which SAARC co-operation can be extended to other areas. Transport-specific co-

⁵ No through transportation exists between the countries of the sub-continent. Trade between Pakistan and Bangladesh has to move by sea. Similarly inadequate roads and border facilities mean that trade between Pakistan and Nepal has to go via ship to Bombay and then through India by road to Nepal. Likewise goods moving from west Bengal to the other north eastern Indian states have to deviate around Bangladesh rather than taking the shorter route *via* Dakar (Mukherji 1989).

ordination will generate the material circumstances under which regional co-operation is likely to develop most rapidly. A discussion of the potential transport projects available to the region will illustrate the centrality of infrastructural co-ordination in south Asia to institution building. Direct transport linkages between the countries of south Asia using multi-modal transport by sea, rail and road in sealed containers or carriers on the basis of a single freight rate would greatly reduce costs, boost profits, stimulate new investment and increase the range of internationally tradable products. It should be possible to receive cargo in containers at selected ports on the east or west coasts of India to transport these by fast block trains to the opposite coast avoiding the longer sea routes around the coast. Joint services should be developed in transport and infrastructure between India and Pakistan and also India and Bangladesh so as to develop through traffic between the countries of south Asia and between south east Asia and China, and the Middle East and central Asia. In the future SAARC could possibly expand to include Myanmar and link it via rail, road and river networks to the rest of south Asia ⁶. In this way the Indian Ocean land bridge could be extended into south east Asia and via a rail connection over the Nushan mountains into China's Yunnan province.

Furthermore the potential for infrastructural development linking India via Pakistan to the markets of Iran, the Middle East and the new central Asian republics as discussed in the section on the Gulf is crucial. In addition links via Pakistan's Karakorum highway to China's Xingxiang province holds great promise for the development of

⁶ In Chapter Three it was suggested that Myanmar is to be included into ASEAN. While this is the stated ambition of ASEAN there is no telling in which direction a possibly democratic Myanmar might look in the future. Whether Myanmar joins ASEAN or a revitalised and restructured SAARC is for the purposes of this argument immaterial. Whatever sub-regional association it joins it will remain part of a broader Indian Ocean system and regardless of affiliation represent the vital land bridge between south Asia and south east Asia and China.

Middle Eastern and south Asian trade with China ⁷. This link would provide a crucial route for African products and materials to reach China adding to the lucrative trading position that could be commanded by countries like Pakistan, Iran and Iraq. Such links will generate revenues and stimulate industrial development and commerce in south Asia by bringing even larger markets into the orbit of the Indian Ocean.

In addition the joint development of north-south linkages between India, Pakistan and Bangladesh and their landlocked Himalayan neighbours and beyond to Chinese Tibet and east Xingxiang holds similar promise for the development of transport, transshipment and related service industries. There is also a great potential for an integrated river transport network in south Asia. In a through-chain of multi-modal transport links the river systems of Bangladesh, West Bengal and Assam and the ports of Chanla, Chittagong and Haldia could be integrated transferring sea to river cargo and *visa versa*. Such international transport co-operation would require India and Bangladesh to jointly manage a water and river conservancy programme to deal with the wide fluctuations in water levels, bank erosion, siltation, and deterioration of channel alignments. The international management and institutional competence that this would require illustrates how integrated infrastructural development offers a method for advancing co-operation within SAARC (Mukherji 1989) ⁸.

⁷ Urumuchi, the capital of Xingxiang province (Chinese Turkestan), is where China's road and rail links from Beijing and Moscow meet representing the hub of trans-Asian trade and the centre of the crucial Silk Road still plied by the trading caravans of Pakistan, Afghanistan, Tajikistan, Kazakstan, southern Russia and Xingxiang.

⁸ There is also scope for joint services and industries between groups of countries in the region. For example the development of joint water and hydro-electric energy projects between India, Nepal and Bhutan.

Equally as significant, the world's busiest sea way enters the Indian Ocean at Singapore and exits at Suez. Co-operation in the provision of joint port, shipping and cargo services between the ports of south Asia, the Middle East and east Africa could provide support and services to the traffic using this lucrative sea way. India already possesses a ship-building and repair capability which could be expanded. Steel would have to be imported from Africa and technical expertise from south east Asia. The volumes of sea traffic traversing the region are so great that other south Asian nations, like Pakistan, Sri Lanka and Bangladesh would be able to develop similar capacities⁹. If these were regionally co-ordinated a south Asian ship trafficking bureau could be established as part of a regional transport co-ordination network. Shipping capital and labour have become so internationally mobile that national policies can no longer deal adequately with regulatory problems (Attard 1996). Such a bureau could allocate port use according to regional development imperatives ensuring that ship traffic and servicing was divided according to a formula between Bangladesh, India, Sri Lanka and Pakistan. Different ports could provide different services or deal with different cargoes. In this way congestion could be reduced and the efficiency of south Asian ship servicing improved to the extent that a significant percentage of this market could be won from south east Asia and the far east¹⁰. As volumes grow ship servicing could be extended to the Gulf, Red Sea and even east African ports and a general Indian Ocean ship trafficking bureau could be established.

⁹ Due to globalisation of production the demand for transport services has increased exponentially with growth in liner demand averaging 65% per annum for the last ten years (Attard 1996).

¹⁰ The values of a port centres on its hinterland connections. A port is part of a whole community including stevedores, cargo handling firms, forwarders, shipping agents, truckers, bankers, customs and union representatives (Barcelona 1995). As demand side requirements are the real drivers of any logistics chain banks and governments could be expected to develop and upgrade ports and their hinterland connections as the creation of new services can trigger off a process which will utilise hidden trade potential.

The joint management of ports and mercantile traffic through a system of Multimodal Transport Operators would create precedents for the co-ordination of regional merchant and perhaps even naval fleets ¹¹. As south Asia's participation in the sea trade that passes its shores increases as a result of infrastructural co-ordination, south Asia's rescue, policing and naval role in the Indian Ocean will develop. While the Indian navy dominates the Indian Ocean and is the only navy with a blue water capacity, infrastructural co-operation and joint sea traffic and service management might create the conditions for greater naval co-operation between India and the other nations of the Indian Ocean. The control of pirates in the straits of Malacca and the Arabia sea offers scope for naval co-operation between India, Iran, Iraq, Malaysia, Oman, Pakistan, Sri Lanka, Saudi Arabia, Singapore, Thailand and Yemen. Similarly the patrol of unguarded fish reserves along the east and southern African coasts holds the potential for naval co-operation between India, Mauritius and South Africa ¹². The potential also exists for India, Mauritius, South Africa and the Gulf states to enter into naval agreements with east African states carrying out naval patrol functions and helping to develop, equip and train east African coast guards. Furthermore the protection of the vast yet untapped reserves of the Southern Ocean as well as the control and protection of Antarctica offers scope for

¹¹ Multimodal Transport Operators (MTO) are transport distribution specialists who regulate port activities and inter-port competition. A MTO centre needs to be established in the Indian Ocean in say Sri Lanka to inform port users of technical, commercial and operational advantages or disadvantages. In addition MTO's make ports aware of market needs and assist in accessing the technology and funds to meet these needs (Barcelona 1996).

¹² Total fish catches in the Indian Ocean are decreasing with the developing country share of this catch suffering the most as off-shore harvests by small operators are hardest hit by commercial poaching (Hey *et al* 1995).

naval co-operation between the Indian, Australian, New Zealand and South African navies
13.

Much has been made of the potential for the development of naval conflict in the Indian Ocean. However, if co-operation and interdependence were established in continental transport and sea traffic management much of the groundwork in establishing a truly trans-regional Indian Ocean identity would have been done. Under such conditions more strategic levels of co-operation involving regional navies and perhaps eventually even regional militaries is not inconceivable.

The scope for regional transport development in south Asia is vast and speaks for itself. Through co-ordinated transport development the SAARC has the potential to galvanise regional co-operation around profitable projects and so propel the organisation and the region out of its present malaise and into the twenty-first century as the hub of a booming inter-continental system.

The Eastern Indian Ocean

ASEAN began its process of closer economic co-operation in 1969 by asking the UN to survey prospects for regional economic co-operation. Hence a UN study suggesting measures for regional co-operation became the guidebook for ASEAN

¹³ The French and US navies have bases in the Indian Ocean and should be included in any proposed Indian Ocean naval co-operation agreements. Participation, however, would have to be subject to acceptance of their eventual withdrawal once Indian Ocean navies were able to patrol and guard the area.

Economic Ministries¹⁴. Similarly the best option for the Indian Ocean is to co-ordinate the information gathered so far by the nations and experts in the region and combine these with a broader more systematic UN programme establishing the prospects for regional co-operation. Yet while the UN was crucial to the establishment of economic co-operation within ASEAN this has failed to translate into security co-operation.

As mentioned in Chapter Two significant classes and ethnicities within ASEAN societies remain marginalised from economic and political life threatening the stability and economic success of the eastern Indian Ocean region. Each ASEAN government has chosen to go it alone dealing with instability by expanding national security services the growth of which has exacerbated long standing territorial disputes. Competition between regional militaries has lead to an undeclared arms race within south east Asia. While south east Asian states are now the worlds biggest arms purchasers ASEAN governments remain unwilling to extend economic co-operation to address external as well as internal security threats.

ASEAN illustrates that infrastructural and economic co-ordination alone is not enough to guarantee stability and progress. Infrastructural and economic co-operation that stops short of establishing as a minimum an open security dialogue is even more dangerous than no co-operation at all. ASEAN is so highly integrated economically that

¹⁴ ASEAN's development of a regional shipping and ports programme promoted regional uniformity and inter-operability through the containerisation of ports and regionally managed training programs. This programme has led to the consideration of an ASEAN liner service currently under study through the South East Asian Agency for Regional Transport and Communication Development. Furthermore Combined ASEAN pressure for improved air-traffic services resulted in a new air route which eased congestion and limited delays at four of the principal ASEAN airports allowing ASEAN carriers to increase flights, boost their share of passengers and gain control of regional markets.

instability within one country will impact dramatically upon others. It is crucial that security threats are dealt with in a co-ordinated manner so as to bring security to the whole ASEAN region. The refusal of ASEAN governments to address security issues at a regional level or even discuss increasing arms build-ups bodes ill for the continued prosperity of the region. The way forward is to exhibit the same levels of co-operation in security and political liberalisation that ASEAN has shown in the infrastructural and economic spheres.

It was argued that the extension of commerce through infrastructure to include traditionally marginalised classes and ethnicities could constitute the first step towards regional security. The extension of ASEAN linkages to include Australia and New Zealand and parts of south Asia would integrate ASEAN into a broader Indian Ocean commercial system. Expanded commerce would assist in the extension of market participation to previously marginalised groups more likely to find roles in a less 'high-tech' Indian Ocean system. Apart from the obvious market potential of 1 643 billion people, the emerging economies of the Indian Ocean offer ASEAN cheaper raw materials and new investment opportunities. The less sophisticated economies of the Indian Ocean stand to gain from ASEAN capital and technology transfers as ASEAN economies vacate low wage and labour intensive production in favour of modes more suited to high income middle class societies.

In addition a closer association through infrastructure co-ordination with nations in the Indian Ocean like Australia, India, Mauritius, New Zealand and South Africa might

demonstrate to ASEAN the compatibility of inclusive political systems and secular democracy with development, international competitiveness and security.

While Australia and New Zealand's proper pre-occupation remains Asia, the purpose of CER and its associated reforms and liberalisations has been to promote Australia and New Zealand's global competitiveness through the establishment of secure commercial relations in their immediate regions. Indeed as ASEAN itself starts looking West so too will its dialogue partners in the CER.

The potential for broad Indian Ocean policy co-ordination based on transport co-ordination involving the CER, ASEAN, SAARC, the Gulf, and the PTA /SADC/SACU holds great promise for the development of an Indian Ocean regional identity based on a well integrated commercial system.

Co-operation Between Sub-regional Organisations

Infrastructural co-ordination could prove vital in establishing functional regimes along standard lines throughout the region. As institutions and the regions they represent grow closer together, the legal and administrative systems that each sub-region operate would become increasingly compatible. This would establish the operational identity upon which broader Indian Ocean institutions could be built.

The diversity of the sub-regional associations already extant in the region would suggest a tiered form of regional association based on voluntary membership. Countries like Australia and New Zealand could form tier one. Any nations able to meet the liberalisation criteria of this tier like Singapore and perhaps Mauritius could join this tier which could then negotiate a smaller regional arrangement between themselves agreeing to reciprocal market access and mutual recognition of MFN. Other countries with less competitive economies and higher levels of protection could enter into less comprehensive arrangements with similarly disposed countries. Thus Malaysia, Thailand, Israel and Indonesia could negotiate a sub-regional arrangement in which market and tariff concessions are made according to their ability to handle limited liberalisation and MFN. This could be tier two. The third tier could be formed by Egypt, India, Iran, Myanmar, Pakistan, Seychelles, Saudi Arabia, Sri Lanka and South Africa which are all going through liberalisations and might be able to negotiate a minimum level at which reciprocal arrangements across certain products or industries could be arranged. A fourth tier could include the remainder of the Gulf states and Eritrea while a fifth might incorporate Bangladesh, Comoros, Ethiopia, Kenya, Madagascar, Maldives, Mozambique, Somalia, Sudan and Tanzania.

Membership of one sub-regional grouping in no way precludes membership of other regional organisations. For example the Gulf states and Egypt's membership of one of the proposed tiers of Indian Ocean integration should not preclude or indeed interfere with the Gulf states membership of the GCC. Their membership of a tier will indicate a certain level of economic integration that would promote co-operation amongst the GCC states by assisting market harmonisation through co-ordinated infrastructure. Furthermore

those Gulf members of a tier of a broader Indian Ocean system will enhance their strategic and economic relevance to the rest of the Middle East.

Countries on one tier would have an incentive to develop and liberalise towards the next level as this would increase reciprocal trade access as well as attract more investment capital. Thus if either Malaysia or Thailand was willing to deregulate enough to enter the first tier with Australia, Mauritius, New Zealand and Singapore, each would stand the potential of gaining increased markets and investment opportunities. Similarly if Kenya was able to liberalise to a degree meeting the requirements for membership of the fourth tier it would gain a new set of markets with increased reciprocity as well as become instantly more attractive as a destination for capital. In addition this upwards momentum could be enhanced by providing incentives for countries to move to higher tiers. The more sophisticated tiers apart from offering greater reciprocal market access could also offer the products of the poorer tiers privileged access to their markets. Such access could be made conditional upon advances in integration made within the tier to which the poorer country belonged. Meanwhile the countries of the wealthier tier could be guaranteed privileged access to the poorer tiers' service industries as they liberalised.

A possible barrier to regional integration would be the inclusion of the regions' poorest countries on any tier of reciprocal market access. Thus the proposed fifth level, incorporating Bangladesh, Comoros, Eritrea, Ethiopia, Kenya, Madagascar, Maldives, Mozambique, Sudan, Somalia and Tanzania would have to find a way of negotiating an arrangement that represented some development towards integration while maintaining

fairly extensive levels of market protection. Here the gains deriving from so limited a level of integration could be so few that the whole rationale of integration might vanish. It is at this level in particular that rail, road and port co-ordination may provide the means to establish a culture of co-operation forming the administrative foundation on which broader institutions could be developed. This will also offer the opportunity for immediate gains from increased trade without requiring much liberalisation or reduction of barriers.

In the beginning transport integration would have to occur separately in different sub-regions managed by existing regional organisations. Nonetheless a super-regional body deciding which countries were to join which tiers would have to be established. This body would also have to ensure that development in the whole region occurred in a goal oriented manner. Instead of individual countries or smaller regional organisations bargaining with foreign investors a super-regional bargaining unit would have more power and be able to harmonise conditions of entry to the greater advantage of its members. Furthermore a regional bargaining unit would have a range of capital destinations to offer investors, each with its own rate and incentive. Similarly aid could be co-ordinated centrally and channelled through regional institutions or development corporations. In this way regional institutions would eventually gain leverage with national governments allowing them to influence national development and trade liberalisation along regional lines.

Conclusion

In a region as large and diverse as the Indian Ocean littoral even the most basic transport co-ordination will be almost impossible unless built upon existing institutions. While a tiered system of regional management might represent an institutional solution to the lack of organisation in the Indian Ocean this could not be built upon institutions as they stand now. Such an organisation would have to be preceded by regionally co-ordinated infrastructural development. By focusing existing institutions on the development of a single sector, co-ordination could be advanced without too much restructuring nor even a uniform approach within each region. Potential international infrastructure projects abound in the Indian Ocean and as regions like Africa, the Gulf and south Asia began integrating their infrastructure a broader Indian Ocean identity would develop. This would be reinforced by the commercial spin-offs of infrastructural integration. In turn as the Indian Ocean becomes more significant to the states of the region, governments and regional institutions could tailor policy to meet regional needs and create the scope for the growth of a tiered institutional mechanism.

CONCLUSION

The countries of the Indian Ocean have been talking about the formation of a regional organisation for three decades. Previous attempts at regional co-ordination within the Indian Ocean have become too complex and intrusive and lost the support of regional governments. While it is essential that a central network be created in which information and ideas can be exchanged, the danger of initiating over-ambitious projects demanding substantial reform from fragile states is ever present. Past experiments in regionalism have shown that in underdeveloped areas plagued by insecurity, co-operation should be limited to specific sectors. This allows states to build a functional identity through the recognition of common values and the resolution of common problems.

In the absence of an industry common to the region infrastructure stands out as the asset around which co-ordination could be built. This approach does not threaten to become too intrusive too quickly as it threatens neither autocratic, fragile or poor societies with reform, dislocation or expense. On the contrary it offers the most effective route to long term security promoting a regional identity through mutual interdependence.

In addition the mechanisms established in infrastructural co-ordination offer to establish a culture of co-operation which could develop regional institutions. On one level this process can complement the efforts of existing regional institutions as well as assist in establishing functional dialogue in those areas where regional organisation is absent. On a second level the culture of co-operation established through the joint management of regional projects can foster links between existing regional

organisations forming a single Indian Ocean institution. Through functional co-operation the same processes of administration would evolve, eventually developing into formal institutions capable of managing regional development and co-ordinating regional positions in international negotiating forums.

In time as integration expands a mechanism will be needed to meld the often incompatible economies of the region into a single structure. A tiered system in which similarly developed economies can negotiate mutually beneficial rules of co-operation is the most likely solution. The physical links established through the joint management of infrastructure will create a mechanism of compromise allowing a tiered system to match the richer countries' need for market access with the poorer countries' need for protection. In this way both liberalisation and protected development could be achieved within the same system.

In a region with little in common the co-ordination of infrastructure offers a way to save the Indian Ocean from fragmentation by restoring a common identity. If the states of the Indian Ocean littoral are to avoid marginalisation they have little choice but to initiate arrangements, acceptable to the WTO, in which states and existing regional organisations begin a process of dialogue around infrastructural co-ordination.

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